05.

Annual Accounts

BME
BOLSAS Y MERCADOS ESPAÑOLES

Index

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries comprising the Bolsas y Mercados Españoles Group (BME)

Auditor's Report on the Consolidated Annual Accounts, and the Consolidated Management's Report at 31 December 2018

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish – language version prevails.

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BOLSAS Y MERCADOS ESPAÑOLES

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translations in an accurate representation of the original. However, in all matter of interpretation of information, views or opinions, the original language version of our report take precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.:

Audit report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the Parent Company) and its Subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of recognised income and expense, statement of changes in total equity, statement of cash flow and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Revenue recognition in complex computer processes Service rights (trading, clearing, settling, listing of securities, permanence, exclusion and reporting of information, among others - see notes 2.n and 17 to the accompanying consolidated financial statements) are recognized in accordance with the royalties and rates published in the respective listing bulletins and their amount depends on the Group's own operating factors such as the number of operations or transactions, the amount of infrastructure access and usage fees, or the management of position maintenance, among others. Numerous sources of information in several IT environments and automated processes are used to calculate that revenue and they are susceptible to failures or misstatement during the operation of each of the systems and/or the exchange of information between them. We identified this area as a key matter to be taken into consideration during the Group's audit due to the complexity of the computer processes and the systems involved in the revenue calculation process, and the risk of material misstatement of our audit the accurate revenue recognition, according to the appropriate legislation.	We have obtained an understanding of the services and royalties associated with those services, as well as the procedures and criteria used by the Group to determine, calculate, recognize and invoice the services rendered to the Group's customers, as well as the internal control environment and its key controls. Together with our information technology systems specialists, we have analysed the general IT control over the main systems and applications that support the automated recognition of revenue from services and royalties and we assessed, among other things, the organization of the Technology Area, the established controls over the life-cycle of application maintenance, information system access controls and those relating to the automated management of revenue calculation processes. We also performed the following procedures: • We performed a recalculation of the revenue using mass data processing tests applied to the data contained within the various information systems together with our IT specialists in order to compare the results obtained against those recognized by the Group. • We have performed tests on the operating effectiveness of key controls within the processes relating to the determination, calculation, recognition and invoicing of services to the Group's customers. • Furthermore, we have obtained external confirmation of a sample of balance receivables and invoices issued during the year 2018. As a result of those procedures, we consider that the Group's systems adequately calculate that revenue.

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Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from listing services in the Group's markets	
On January 1, 2018, the IFRS 15 on revenue from contracts with customers became effective, introducing changes with respect to the prior regulation related, among others, to the revenue recognition of performance obligations different from the ones identified in the contracts with clients and the moment each of them is satisfied. On September 2018, the International Financial Reporting Interpretations Committee (IFRIC) issued a tentative decision, which became final on January 2019, about its interpretation on performance obligations from listing services on stock markets, concluding that fees for the admission an entity to a stock exchange there is only one performance obligation, that is satisfied over a period of time, and there is no separate performance obligation to be discharged at the specific time of admission. Therefore, in accordance with this decision, the fees for admission of securities to trading on the stock markets must be accrued as revenue during the life of the service provided, that is, based on the estimate of the time in which the issued securities are traded in the mentioned markets. Management, based on the historical information of the markets managed by the Group and the future estimates of permanence of the securities and issuer in the markets, recognizes the income from "Admission of securities to trading" and "Admission to trading of fixed-income issues", in an average period between 8 and 6 years, depending on the nature of the value, as detailed in note 1.b. The Group adopted IFRS 15 as of 1 January 2018 retrospectively, adjusting the opening balance on the date of first application without restating the comparative balances amounts for the prior financial year to the initial adoption, in compliance with that indicated in mentioned standard.	We have obtained an understanding of the IFRIC interpretation related to revenue recognition from admission services in stock markets and its implications according to the IFRS 15. Furthermore, we have conducted an analysis of the fees subject to the aforementioned interpretation among the different markets managed by the Group, and the characteristics of each fee and market. Additionally, we have completed substantive work on the internal control designed by Management, in order to evaluate the reasonability of the estimation for the listing life period and the calculations considered for the estimation of the effects of the application of retroactivity of the accounting policy. Relative to the estimation, we have evaluated the methodology applied to estimate the permanence of the issuer in the markets, based on historic information of the markets managed by the Group, and future estimates based on the expected evolution and macroeconomic factors. Also, we have compared these estimations with the estimated time frames of other market operators, comparable to the ones managed by the Group. Regarding the impact of the first application of the new policy, and the accounting of the result corresponding to the year-end 2018, we have verified the correct retroactive application of the standard and the accuracy of the amounts. Both recorded with effect at the beginning of the 2018 fiscal year and those recorded during the year 2018. In the procedures abovementioned, we have not identified differences outside a reasonable range.

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Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
The effect of the revenue recognition from the admission of securities to trading as described above has resulted, as of January 1, 2018, in a charge to reserves for the amount of 16,993 thousand euros and in the recognition of contract liabilities amounting to 22,657 thousand euros, and deferred tax assets amounting to 5,664 thousand euros, as indicated in note 1.b. We identified this area as a key matter given the high level of judgment that incorporates the revenue recognition from services for the admission of securities to trading in the Group's markets, derived from the estimation of the time in which the securities issued are listed on the stock markets, as well as the relevance of the first application adjustment that the Group has registered on January 1, 2018.	
Goodwill impairment testing	
The Group performs an annual assessment of whether it's goodwill has become impaired as required by IFRS-EU. Management's estimates are based on the operating plans in place for each Cash Generating Unit (CGU), and they are the basis for calculating the value in use of each CGU. Goodwill is assigned to a CGU or a group of CGUs as described in notes 2.b and 5.a to the accompanying consolidated financial statements. The Group recorded 87,725 thousands euros as the carrying amount of goodwill at 31 December 2018. Due to its importance, Management applies special monitoring efforts to the goodwill deriving from the acquisition of Iberclear, as is indicated in note 5.a to the accompanying consolidated financial statements.	Together with our valuation experts, we have obtained an understanding of the estimation process applied by Management, as well as the internal control environment in which that process is carried out, focusing our procedures on matters such as: • An analysis of the criteria applied to define the CGUs by the Group. • An assessment of Management's method for estimating the impairment of goodwill, including an evaluation of the process oversight controls and the approvals established within that process. • An examination of the annual assessment reports from the Group and outside experts regarding the evaluation of the impairment of goodwill. On the other hand, we have performed tests to compare the cash flow projection models used by the Group against its estimates, taking into consideration the provisions of applicable legislation, market practices and the specific expectations of the industry.

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
The valuation method used by Management to obtain the value in use associated to Iberclear is discounted cash flows projected until 2021. We identified this area as relevant since the estimated value in use of each CGU, as described in notes 2.a and 5.b in the accompanying notes to the consolidated financial statements, includes a high level of judgment that is based on measurement assumptions such as estimated cash flows, long-term growth rates and the discount rate applied. The valuation models applied by Management are sensitive to the assumptions used and, due to their nature, there is a risk of inaccurate estimates that are subject to uncertainty when determining the value in use of the CGUs, which is why we consider that assessing these items is a key audit matter.	Additionally, we also performed the following procedures: • We verified the mathematical accuracy of the models. • We compared the key inputs used by Management against data obtained from external sources. Based on this information, we consider that the assumptions used by management are adequate for the estimates made. • We assessed Management's capacity to make reasonable estimates by comparing prior-year projections against the Group's business reality over the past few years. • We examined the reasonableness of the sensitivity analysis performed by Management. The procedures indicated above have resulted in our consideration that the conclusions reached by Management regarding the absence of impairment affecting goodwill are reasonable.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2018 financial year, the formulation of which is the responsibility of the Parent Company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the information included in the consolidated management report is defined in the company audit governing regulations, which establishes two differentiated responsibility levels:

a) A specific level that is applicable to the statement of non-financial information, as well as to certain information included in the Annual Corporate Governance Report, defined in article 35.2. b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the consolidated management report or, if appropriate, that consolidated management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the consolidated management report that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of the knowledge of the Entity obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and subsidiaries

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent Company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent Company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent Company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company´s directors.

- Conclude on the appropriateness of the Parent Company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent Company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent Company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent Company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent Company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent Company's audit committee dated February 28, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on April 28, 2016, appointed us as auditors for a period of three years, as from the year ended December 31, 2016.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended December 31, 2013.

Services provided

Services, different to the audit, provided to the Group are described in note 20 of the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Ignacio Martínez Ortiz (23834)

February 28, 2019

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries comprising the Bolsas y Mercados Españoles Group (BME)

Consolidated Financial Statements and Consolidated Director's Report for the year ended 31 December 2018

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish – language version prevails.

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BOLSAS Y MERCADOS ESPAÑOLES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 2017

(THOUSANDS OF EUROS)

ASSETS	NOTE	31/12/2018	31/12/2017 (*)
NON-CURRENT ASSETS			
Intangible assets-		**101,210**	**104,337**
Goodwill	5	87,725	88,718
Other intangible assets	5	13,485	15,619
Property, plant and equipment	**6**	**42,280**	**42,985**
Investment properties		**-**	**-**
Investments in associates	**2**	**6,661**	**4,287**
Non-current financial assets	**7**	**14,149**	**13,023**
Deferred tax assets	**16**	**14,238**	**9,065**
Other non-current assets		**-**	**-**
		178,538	**173,697**
CURRENT ASSETS			
Non-current assets held for sale		**439**	**183**
Trade and other receivables-		**77,055**	**80,273**
Trade receivables for sales and services	8	34,131	34,031
Companies accounted for using the equity method	8	443	471
Current tax assets	8	38,851	42,544
Other receivables	8	3,630	3,227
Current financial assets	**7**	**6,247**	**16,221**
Other current financial assets-	**7**	**13,876,242**	**22,135,164**
Realisation of guarantees received from participants		2,320,332	3,172,060
Financial instruments in CCP		11,529,131	18,934,329
Receivables for settlement		25,244	28,752
Realisation of cash withheld for settlement		1,535	-
Cash receivables for settlement		-	23
Other current assets	**10**	**1,471**	**1,911**
Cash and cash equivalents	**9**	**270,336**	**275,739**
		14,231,790	**22,509,491**
TOTAL ASSETS		**14,410,328**	**22,683,188**

(*) Figures presented solely and exclusively for comparison purposes.
(**) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

Notes 1 to 26 and Appendix I are an integral part of the consolidated balance sheet at 31 December 2018.

EQUITY AND LIABILITIES	NOTE	31/12/2018	31/12/2017 (*)
EQUITY (**)	**11**	**399,620**	**430,426**
CAPITAL AND RESERVES		**396,759**	**427,968**
Capital		**250,847**	**250,847**
Share premium		**-**	**-**
Reserves		**102,682**	**112,260**
(Parent shares and equity holdings)		**(15,407)**	**(12,426)**
Prior years' profit and loss		**-**	**-**
Other equity holder contributions		**-**	**-**
Profit/(loss) for the year		**136,288**	**153,319**
(Interim dividend)		**(83,078)**	**(83,133)**
Other equity instruments		**5,427**	**7,101**
OTHER COMPREHENSIVE INCOME		**2,451**	**2,179**
Items not reclassified to profit or loss		**2,464**	**-**
Items that may be reclassified to profit/(loss) for the year		**(13)**	**2,179**
Available-for-sale financial assets			2,190
Debt instruments at fair value with changes in other comprehensive income		-	
Hedging transactions		-	-
Translation differences		(13)	(11)
Other valuation adjustments		-	-
EQUITY ATTRIBUTABLE TO THE PARENT		**399,210**	**430,147**
NON-CONTROLLING INTERESTS	**11**	**410**	**279**
NON-CURRENT LIABILITIES			
Grants			**-**
Non-current provisions		**18,685**	**15,024**
Other provisions	12	3,334	4,351
Long-term employee benefit obligations	13	15,351	10,673
Non-current financial liabilities		**-**	**-**
Deferred tax liabilities	**16**	**5,191**	**5,100**
Other non-current liabilities	**15**	**16,357**	**14**
		40,223	**20,138**
CURRENT LIABILITIES			
Liabilities associated with non-current assets held for sale		**-**	**-**
Current provisions		**-**	**-**
Current financial liabilities		**-**	**-**
Other current financial liabilities-	**7**	**13,876,230**	**22,135,133**
Guarantees received from participants		2,320,320	3,172,052
Financial instruments in CCP		11,529,131	18,934,329
Payables for settlement		25,244	28,752
Payables in cash withheld for settlement		1,535	-
Payables in cash for settlement		-	-
Trade and other payables-		**87,140**	**95,742**
Suppliers	14	21,661	22,491
Suppliers, companies accounted for using the equity method	14	2	-
Current tax liabilities	14	43,890	49,065
Other payables	14	21,587	24,186
Other current liabilities	**15**	**7,105**	**1,749**
		13,970,475	**22,232,624**
TOTAL EQUITY AND LIABILITIES		**14,410,328**	**22,683,188**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(THOUSANDS OF EUROS)

	NOTES	(DEBIT)/CREDIT 2018	2017 (*)
Revenue	**17**	**307,359**	**320,777**
Own work capitalised	**5**	**3,215**	**1,829**
Other operating income	**17**	**2,354**	**2,398**
Variable direct cost of transactions	**17**	**(8,772)**	**(5,236)**
REVENUE		**304,156**	**319,768**
Staff costs-	**19**	**(75,952)**	**(70,439)**
Wages, salaries and similar expenses		(62,155)	(56,686)
Social welfare expenses		(10,285)	(10,489)
Provisions and other staff costs		(3,512)	(3,264)
Other operating costs-	**20**	**(42,138)**	**(39,541)**
External services		(41,102)	(38,489)
Taxes other than income tax		(660)	(399)
Losses, impairment and changes in trade provisions	8	(376)	(653)
Amortisation and depreciation		**(7,902)**	**(8,105)**
Amortisation of intangible assets	5	(4,698)	(4,762)
Depreciation	6	(3,204)	(3,343)
Grants released to non-financial assets and other		**-**	**-**
Impairment and gains/(losses) on disposal of non-current assets	**5 and 6**	**(933)**	**26**
Other gains and losses		**-**	**-**
OPERATING PROFIT (LOSS)		**177,231**	**201,709**

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 26 and Appendix I are an integral part of the consolidated income statement for the year ended 31 December 2018.

	NOTES	(DEBIT)/CREDIT 2018	2017 (*)
Finance income-		**11,327**	**2,114**
From equity investments	7 and 21	509	408
From marketable securities and other financial instruments	7, 9 and 21	10,818	1,706
Finance cost-		**(11,088)**	**(1,921)**
Third-party borrowings	21	(146)	(132)
Provision adjustments	21	(180)	(173)
Guarantees received from participants	7 and 21	(10,762)	(1,616)
Change in fair value of financial instruments-		**-**	**-**
Held for trading and others		-	-
Taken to results for the year - available-for-sale financial assets		-	-
Exchange gains/(losses)	**21**	**(33)**	**(128)**
Impairment and gains/(losses) on disposal of financial instruments	**7 and 21**	**-**	**-**
NET FINANCIAL INCOME		**206**	**65**
Share of profit (loss) accounted for using the equity method	**2**	**2,389**	**1,094**
PROFIT/(LOSS) BEFORE TAX		**179,826**	**202,868**
Income tax expense	**16**	**(43,724)**	**(49,528)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**136,102**	**153,340**
Profit/(loss) after tax for the year from discontinued operations		**-**	**-**
CONSOLIDATED PROFIT FOR THE YEAR		**136,102**	**153,340**
Profit/(loss) attributable to parent	11	136,288	153,319
Profit/(loss) attributable to non-controlling interests		(186)	21
EARNINGS PER SHARE (€)			
Basic	3	1,64	1,84
Diluted	3	1,63	1,83

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(THOUSANDS OF EUROS)

	NOTE	YEAR 2018	YEAR 2017 (*)
CONSOLIDATED PROFIT/(LOSS) PER INCOME STATEMENT		**136,102**	**153,340**
OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS (**)		**2,497**	**774**
Due to revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		**-**	**-**
Actuarial gains and losses and other adjustments		**2,681**	**946**
Share in other recognised comprehensive income from investments in joint ventures and associates.		**-**	**-**
Equity instruments at fair value with changes in other comprehensive income	**7 and 11**	**365**	
Other income and expenses not reclassified to profit or loss for the year		**-**	**-**
Tax effect	**11**	**(549)**	**(172)**
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR (**)		**(2)**	**819**
Available-for-sale financial assets:	**7 and 11**		**1,107**
a) Valuation gains/(losses)			1,107
b) Amounts transferred to profit or loss			-
c) Other reclassifications			-
Debt instruments at fair value with changes in other comprehensive income:		**-**	
a) Valuation gains/(losses)		-	
b) Amounts transferred to profit or loss		-	
c) Other reclassifications		-	
Cash flow hedges:		**-**	**-**
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Amounts transferred to the initial value of the hedge item		-	-
d) Other reclassifications		-	-
Translation differences:	**11**	**(2)**	**(11)**
a) Valuation gains/(losses)		(2)	(11)
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Share in other recognised comprehensive income from investments in joint ventures and associates.		**-**	**-**
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Other income and expense not reclassified to profit or loss for the year		**-**	**-**
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Tax effect	**11**	**-**	**(277)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**138,597**	**154,933**
a) Attributable to the parent		138,783	154,912
b) Attributable to non-controlling interests		(186)	21

(*) Figures presented solely and exclusively for comparison purposes.
(**) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

Notes 1 to 26 and Appendix I are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2018.

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(THOUSANDS OF EUROS)

	EQUITY ATTRIBUTABLE TO THE PARENT											
	CAPITAL AND RESERVES											
		SHARE PREMIUM AND RESERVES										
	CAPITAL	SHARE PREMIUM	RESERVES	GAIN AND LOSSES YEARS' PROFIT AND LOSS	OTHER EQUITY HOLDER CONTRIBUTIONS	TOTAL DIVIDEND/ SHARE INTERIM DIVIDEND	(PARENT SHARES AND EQUITY HOLDINGS)	PROFIT FOR THE YEAR	OTHER EQUITY INSTRUMENTS	OTHER GAINS AND LOSSES OTHER COMPRE-HENSIVE INCOME	NON-CONTRO-LLING INTERESTS	TOTAL EQUITY NET
CLOSING BALANCE AT 31 DECEMBER 2016 (*)	**250,847**	**-**	**100,795**	**-**	**-**	**(83,096)**	**(13,313)**	**160,260**	**6,939**	**1,360**	**258**	**424,050**
Adjustments for changes in accounting criteria	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED OPENING BALANCE	**250,847**	**-**	**100,795**	**-**	**-**	**(83,096)**	**(13,313)**	**160,260**	**6,939**	**1,360**	**258**	**424,050**
Total recognised income and expense	**-**	**-**	**774**	**-**	**-**	**-**	**-**	**153,319**	**-**	**819**	**21**	**154,933**
Transactions with shareholders	**-**	**-**	**-**	**(66,473)**	**-**	**(83,133)**	**(465)**	**-**	**-**	**-**	**-**	**(150,071)**
Capital increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(66,473)	-	(83,133)	-	-	-	-	-	(149,606)
Transactions with parent company shares and equity holdings	-	-	-	-	-	-	(465)	-	-	-	-	(465)
Increases / (reductions) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions / (disposals) of non-controlling interests												
Other transactions with shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**-**	**10,691**	66,473	**-**	83,096	1,352	(160,260)	162	**-**	**-**	1,514
Equity-settled share-based payments	-	-	-	-	-	-	1,352	-	162	-	-	1,514
Transfers between equity items	-	-	10,691	66,473	-	83,096	-	(160,260)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
CLOSING BALANCE AT 31 DECEMBER 2017 (*)	**250,847**	**-**	**112,260**	**-**	**-**	**(83,133)**	**(12,426)**	**153,319**	**7,101**	**2,179**	**279**	**430,426**
Adjustments for changes in accounting criteria	-	-	(16,993)	-	-	-	-	-	-	-	-	(16,993)
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED OPENING BALANCE	**250,847**	**-**	**95,267**	**-**	**-**	**(83,133)**	**(12,426)**	**153,319**	**7,101**	**2,179**	**279**	**413,433**
Total recognised income and expense	**-**	**-**	**2,223**	**-**	**-**	**-**	**-**	**136,288**	**-**	**272**	**(186)**	**138,597**
Transactions with shareholders	**-**	**-**	**(175)**	**(64,819)**	**-**	**(83,078)**	**(4,267)**	**-**	**-**	**-**	**317**	**(152,022)**
Capital increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(64,819)	-	(83,078)	-	-	-	-	-	(147,897)
Transactions with parent company shares and equity holdings	-	-	-	-	-	-	(4,267)	-	-	-	-	(4,267)
Increases / (reductions) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	427	427
Acquisitions / (disposals) of non-controlling interests	-	-	(175)	-	-	-	-	-	-	-	(110)	(285)
Other transactions with shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	**-**	**-**	**5,367**	**64,819**	**-**	**83,133**	**1,286**	**(153,319)**	**(1,674)**	**-**	**-**	**(388)**
Equity-settled share-based payments	-	-	-	-	-	-	1,286	-	(1,674)	-	-	(388)
Transfers between equity items	-	-	5,367	64,819	-	83,133	-	(153,319)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-
CLOSING BALANCE AT 31 DECEMBER 2018	**250,847**	**-**	**102,682**	**-**	**-**	**(83,078)**	**(15,407)**	**136,288**	**5,427**	**2,451**	**410**	**399,620**

(*) Figures presented solely and exclusively for comparison purposes.
Notes 1 to 26 and Appendix I are an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(THOUSANDS OF EUROS)

	NOTE	FINANCIAL YEAR 2018	FINANCIAL YEAR 2017 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		**130,644**	**152,451**
Consolidated profit before tax		**179,826**	**202,868**
Adjustments to profit/(loss)		**11,682**	**9,373**
Amortisation and depreciation	5 and 6	7,902	8,105
Other adjustments to profit/(loss) (net)		3,780	1,268
Changes in working capital (1)		**(15,824)**	**(8,789)**
Other cash flows from operating activities:		**(45,040)**	**(51,001)**
Interest paid		(11,088)	(1,921)
Dividends and interest on other equity instruments paid		-	-
Dividends received		-	-
Interest received		10,816	1,692
Income tax received (paid)	16	(43,724)	(49,528)
Other amounts received/(paid) in operating activities		(1,044)	(1,244)
CASH FLOWS FROM INVESTING ACTIVITIES:		**8,087**	**39,454**
Payments for investments		**(4,120)**	**(4,559)**
Group companies, jointly controlled entities and associates		(285)	-
Property plant and equipment, intangible assets and investment properties	5 and 6	(3,083)	(4,413)
Other financial assets		(752)	(146)
Other assets		-	-
Proceeds from disposals		**12,207**	**44,013**
Group companies, jointly controlled entities and associates		-	-
Property plant and equipment, intangible assets and investment properties	6	1,295	801
Other financial assets		10,485	43,212
Other assets		427	-

	NOTE	FINANCIAL YEAR 2018	FINANCIAL YEAR 2017 (*)
CASH FLOWS FROM FINANCING ACTIVITIES:		**(144,134)**	**(140,595)**
Proceeds from and payments for equity instruments		**(4,267)**	**(465)**
Issue of equity instruments		-	-
Redemption of equity instruments		-	-
Acquisition of parent company equity instruments		(4,267)	(465)
Disposal of parent company equity instruments		-	-
Acquisitions of non-controlling interests		-	-
Disposals of non-controlling interests		-	-
Grants, donations and bequests received		-	-
Proceeds from and payments for financial liabilities		**-**	**-**
Issue		-	-
Redemptions and repayment		-	-
Dividends and interest on other equity instruments paid		**(139.867)**	**(140.130)**
Gross dividend	11	(147,897)	(149,606)
Withholding	16	8,030	9,476
Other cash flows from financing activities		**-**	**-**
Interest paid		-	-
Other amounts received/(paid) in financing activities		-	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,403)**	**51,310**
Cash and cash equivalents at beginning of year		275,739	224,429
Cash and cash equivalents at end of year		270,336	275,739
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR END:			
Cash in hand and at banks	9	195,338	138,492
Other financial assets	9	74,998	137,247
Less: Bank overdrafts repayable on demand			
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END		**270,336**	**275,739**

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 26 and Appendix I are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

(1) In order to more clearly present the changes in working capital, the cash flows generated by other current financial assets and liabilities (see Note 7) are included in the statement of cash flow at their net value.

Notes to the consolidated financial statements for the year ended 31 December 2018

1. Background, basis of presentation of the consolidated financial statements and other information

A) Background

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the "Company", "Bolsas y Mercados Españoles" or "BME") was incorporated by public deed dated 15 February 2002, through the performance of the preliminary agreement signed between the shareholders of the companies that administrated the markets and systems for the trading, registration, settlement and clearing of securities, the "Affected Companies", (FC&M, Sociedad Rectora del Mercado de Futuros y Opciones sobre Cítricos, S.A.; MEFF AIAF SENAF Holding de Mercados Financieros, S.A.; Servicio de Compensación y Liquidación de Valores, S.A.; Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.; Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.; Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.; and Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.).

On 7 May 2002, the Board of Directors of Bolsas y Mercados Españoles resolved to carry out a wide-reaching share swap for all the shares of the Affected Companies. In 2003, with effect from 1 January of that year, Banco de España acquired 9.78% of the Group's share capital in a rights issue in which the preferential subscription rights of the remaining shareholders were waived. Banco de España was accordingly the sole subscriber of the non-monetary capital increase carried out by Bolsas y Mercados Españoles. The in-kind consideration contributed by Banco de España for this ownership interest consisted of 100% of the 4,541 shares it held at that time in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (the Systems Company). As a consequence of this transaction, the Bolsas y Mercados Españoles Group (the "Group"), of which Bolsas y Mercados Españoles is the parent company, started to perform not only the registration, settlement and clearing of securities already carried out by the Affected Companies, but also the clearing, settlement and registration activities which up until that time had been carried out by the Central de Anotaciones del Mercado de Deuda Pública en Anotaciones del Banco de España (the Banco de España public debt book-entry trading system, or "CADE"). This transaction also gave rise to the recognition by the Group of goodwill, specifically attributed to the functions formerly tasked to CADE and supported by future revenue from this activity, as well as operating and business synergies deriving from the consolidation of the settlement platforms (Notes 2-b and 5).

On 14 July 2006, the shares of Bolsas y Mercados Españoles were admitted for trading on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao, and all the outstanding shares of Bolsas y Mercados Españoles were included in the Spanish electronic trading platform (Sistema de Interconexión Bursátil).

In 2016 and 2017, the Group completed the first and second phase of the Reform of the Spanish securities clearing, settlement and registration system (instigated by Act 32/2011, of 4 October, and culminating in the first final provision of Act 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of our main European partners). In this regard, 27 April 2016 saw the completion of the first phase with the migration of the equities settlement platform from the old system (SCLV) to the new (ARCO) and the commencement of the clearing by BME Clearing of equity spot trades originating from the Spanish electronic trading platform. The second and definitive phase was completed with the migration to the Target2 Securities (T2S) settlement platform of the Eurosystem on 18 September 2017. This second phase also addressed the change of the Fixed-Income model (CADE), which is settled together with Equity securities, using a single system, ARCO.

The entry into force of the above-mentioned Reform involved three central changes: a) a move to a holdings-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) the bringing together the current settlement systems, CADE and SCLV, into a single platform.

The corporate purpose of Bolsas y Mercados Españoles is active ownership of the share capital of the companies that manage the securities registration, settlement and clearing systems, central counterparties, secondary markets, and multilateral trading systems; and responsibility for the unity of action, decision-making and strategic co-ordination of trading, registration, clearing and settlement systems, central counterparties, secondary markets and multilateral trading systems. To this end, it may implement operational, functional and structural improvements, including raising its international profile. The foregoing without prejudice to the Companies that form the Group maintaining their own identity, operating capacity, governing bodies and managerial and general staff.

The registered offices of Bolsas y Mercados Españoles are in Madrid at Plaza de la Lealtad, 1.

Appendix I provides significant information on the companies comprising the Group.

B) Bases of presentation of the consolidated financial statements

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 all companies that are governed by the Law of a member state of the European Union and whose shares are traded on a regulated market of any of such member states, must prepare their consolidated financial statements corresponding to the periods commencing as of 1 January 2005 in accordance with the International Financial Reporting Standards (hereinafter IFRS) previously adopted by the European Union (hereinafter, IFRS-EU).

The consolidated financial statements for 2018 of the Group have been prepared by the Company's Directors (at its Board of Directors Meeting on 27 February 2019), in accordance with the International Financial Reporting Standards adopted by the European Union and taking into consideration the commercial law applicable to the Group, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 2, to fairly present the Group's consolidated equity and financial position at 31 December 2018 and the results of its operations and consolidated cash flows in 2018. These consolidated financial statements, which were prepared from the accounting records of the Company and of each of the entities composing the Group, include the restatements and reclassifications required to standardise the accounting policies and measurement bases applied across the Group.

The 2018 consolidated financial statements have yet to be approved by BME's General Shareholders' Meeting. However, the Company's directors believe that they will be approved without modification. The consolidated financial statements for 2017 were authorised for issue by the Company's directors (at the Board meeting on 27 February 2018) and approved by the General Shareholders' Meeting held on 26 April 2018.

Unless indicated otherwise, the consolidated financial statements are presented in thousands of euros (€).

All the 2017 figures in these notes to the consolidated financial statements are presented solely and exclusively for comparison purposes.

All accounting principles and measurement bases with a significant effect on the consolidated financial statements were applied.

i. Adaptation to new standards and interpretations issued

Standards and interpretations effective in this financial year

The following Standards and Interpretations adopted by the EU became effective in 2018:

- IFRS 9 Financial Instruments – Recognition and measurement, hedge accounting and impairment: IFRS 9 Financial Instruments entered into force on 1 January 2018. IFRS 9 establishes the requirements for the recognition and measurement of financial instruments as well as certain types of contracts to buy or sell non-financial items. These requirements must be applied retrospectively, adjusting the opening balance at 1 January 2018, although it is not necessary to restate the comparative financial statements.

  The adoption of IFRS 9 involved changes in the Group's accounting policies for the recognition, classification and measurement of the financial assets and liabilities and the impairment of financial assets, such as the significant amendments to other standards related to financial instruments, such as IFRS 7 Financial instruments: Disclosures". The accounting policies applied by the Group in relation to its financial instruments is detailed in Note 2-e.

  With regard to the breakdown in the notes, the amendments relating to IFRS 7 have only been applied to the current period in accordance with the legislation in force. The breakdown of the notes for the period with comparative information maintain the breakdowns applicable to the previous period.

Below follows a breakdown relating to the impact of the adoption of IFRS 9 on the Group:

Classification and measurement of financial instruments

The following table compares IAS 39 at 31 December 2017 and IFRS 9 at 1 January 2018 for the financial instruments reclassified in accordance with the new requirements of IFRS 9 with regard to classification and measurement (without impairment) as well as their carrying amount:

SECTION	NATURE	THOUSANDS OF EUROS	PORTFOLIO IAS 39	PORTFOLIO IFRS 9
Non-current financial assets	Equity instruments	12,164	Available-for-sale financial assets	Financial assets at fair value with changes in other comprehensive income
	Guarantees given	818	Loans and receivables	Financial assets valued at amortised cost
Trade and other receivables	Trade receivables for sales and services	34,031		
	Companies accounted for using the equity method	471		
	Other receivable	3,227		
Current financial assets	Debt securities	5,998	Held-to-maturity investments	
	Other financial assets - Bank deposits (own)	3,500	Held-to-maturity investments	
		6,723	Loans and receivables	
Other current financial assets	Financial instruments in CCP	18,934,329	Financial assets held for trading	
	Other financial assets - Government Debt reverse repurchase agreements	17,173	Loans and receivables	
	Other financial assets - Bank deposits (third party)	3,154,887		
	Other financial assets – Receivable for settlement of daily options and futures trades	28,752		
	Other financial assets – Cash receivables for settlement	23		

For the purposes of classification, during the first full financial year of application of the new standard the Group completed an evaluation of the business model followed for the management of its financial assets and its characteristics from a contractual cash flow perspective, in compliance with the legislation and taking into account the guidelines and interpretations issued during 2018.

The previous reclassifications were performed based on the following considerations:

a. Reclassifications from "Financial assets available-for-sale" to "Financial assets at fair value with changes in other comprehensive income"

The Group irrevocable decided at the moment of initial recognition, which corresponded with the first adoption of IFRS 9 to present in other comprehensive income the changes in fair value of all its investments in equity instruments previously classified as available for sale, because these investments are held as long-term strategic investments which are unlikely to be sold in the short- or medium term.

Therefore, equity instruments with a fair value of €12,164 thousand at 31 December 2017 were reclassified from the financial assets available for sale portfolio to the financial assets at fair value with changes in other comprehensive income portfolio. Similarly, the gains accumulated due to the changes in the fair value of these equity instruments included in the heading "Other comprehensive income" of equity at 31 December 2017, for the amount of €2,190 thousand were reclassified from "Items that can be reclassified after the profit or loss for the period - Financial assets available for sale" to "Items that will not be reclassified to profit or loss".

b. Reclassifications from "Loans and receivables" to "Financial assets at amortised cost"

For the financial assets included at 31 December 2017 in the loans and receivables portfolio, the Group's Management considered that these met the conditions necessary to be classified as financial assets at amortised cost, given that the business model is to hold these financial assets to obtain the contractual cash flows and such flows are only payments of principal and interest on the amount of principal outstanding.

c. Reclassifications from "Investments held until maturity" to "Financial assets at amortised cost"

For the financial assets included at 31 December 2017 in the held-to-maturity investments portfolio, the Group's Management considered that these met the conditions necessary to be classified as financial assets at amortised cost, given that the Group has the intention to hold these assets until their maturity to obtain the contractual cash flows and such cash flows consist only of principal and interest on the principal outstanding. There is no difference between the previous carrying amount and the revised carrying amount of these assets at 1 January 2018 which must be recognised in the reserves at the beginning of the period.

d. Reclassifications from "Financial assets held for trading" to "Financial assets at amortised cost"

This refers to the positions in financial instruments in the central counterparty that are reclassified, based in the Group's business model and the characteristics of the assets, to the financial assets portfolio at amortised cost.

None of the previously detailed reclassifications generated a negative impact on the Group's equity at 1 January 2018.

Impairment of financial assets

The Group revised its impairment calculation methodology under IFRS 9 for each one of the classes of financial assets subject to impairment requirements.

Trade and other receivables and contract assets

The Group applies the simplified approach of IFRS 9 to value the credit losses based on a provision for losses forecast during the whole life for all trade and other receivables.

To measure the forecast credit losses, trade and other receivable were regrouped based on the characteristics of the shared credit risk and days due.

Using this as a basis and using internal sources of information such as the history of credit losses, no significant differences were identified in the impairment losses calculated at 1 January 2018 compared to those recognised at 31 December 2017.

The breakdown of "Trade receivables for sales and services" and "Other receivables" at 1 January 2018 by maturity and geographic areas where the risks are located, is as follows:

	Thousands of euros						
		Unpaid balances past-due by					
1 January 2018	Balances not yet due and past due Up to 3 Months	Between 3 and 6 Months	Between 6 and 12 Months	Between 12 and 18 Months	Between 18 and 24 Months	More than 24 Months	Total
Gross value By geographic area-							
Spain	28,077	231	1,014	113	550	2,756	32,741
Rest of the world	7,981	289	357	61	33	267	8,988
	36,058	**520**	**1,371**	**174**	**583**	**3,023**	**41,729**

Trade receivables are written off when there is no reasonable expectation of recovery. The indicators that there is no reasonable expectation of recovery include, inter alia, the fact that a debtor does not commit to a repayment plan with the Group and the default of the contractual payments during a period of more than 5 years.

Current financial assets and Other current financial assets

In relation to the financial instruments included in the headings "Current financial assets" and "Other current financial assets", which are classified in the financial assets portfolio at the amortised cost, as well as the balances included in the heading "Cash and cash equivalents", also subject to the impairment in value requirements of IFRS 9, there was no significant impact on the equity in the Group's financial statements arising from the revision of the impairment methodology.

Reconciliation of the balance from IAS 39 to IFRS 9

Below follows the reconciliation between the consolidated equity under IAS 39 at 31 December 2017 and that prepared under IFRS 9 at 1 January 2018 with the breakdown of the impacts due to classification and measurement with the adoption of IFRS 9 (no significant impact due to impairment):

EQUITY	IAS 39 31-12-2017	Impact due to classification and measurement	IFRS 9 01-01-2018
EQUITY	**430,426**	**-**	**430,426**
CAPITAL AND RESERVES	**427,968**	**-**	**427,968**
Capital	**250,847**	**-**	**250,847**
Share premium	**-**	**-**	**-**
Reserves	**112,260**	**-**	**112,260**
(Parent shares and equity holdings)	**(12,426)**	**-**	**(12,426)**
Prior years' profit and loss	**-**	**-**	**-**
Other equity holder contributions	**-**	**-**	**-**
Profit/(loss) for the year	**153,319**	**-**	**153,319**
(Interim dividend)	**(83,133)**	**-**	**(83,133)**
Other equity instruments	**7,101**	**-**	**7,101**
OTHER COMPREHENSIVE INCOME	**2,179**	**-**	**2,179**
Items not reclassified to profit or loss	**-**	**2,190**	**2,190**
Equity instruments at fair value with changes in other comprehensive income		2,190	2,190
Other	-	-	-
Items that may be reclassified to profit/(loss) for the year	**2,179**	**(2,190)**	**(11)**
Available-for-sale financial assets	2,190	(2,190)	
Hedging transactions	-	-	-
Translation differences	(11)	-	(11)
Share in other recognised comprehensive income from investments in joint ventures and associates.	-	-	-
Debt instruments at fair value with changes in other comprehensive income		-	-
Other	-	-	-
EQUITY ATTRIBUTABLE TO THE PARENT	**430,147**	**-**	**430,147**
NON-CONTROLLING INTERESTS	**279**	**-**	**279**

In the case of assets and liabilities included in the consolidated balance sheet at 31 December 2017 (IAS 39) and 1 January 2018 (IFRS 9), no significant impacts were recognised due to classification, measurement or impairment, except for those related to the classification and measurement of the positions in financial instruments in central counterparties, the reclassification of which from "Financial assets held for trading" to "Financial assets at amortised cost", represents an increase in the value of the headings "Other current financial assets - Financial instruments in CCP" and "Other current financial liabilities - Financial instruments in CCP" for the amount of €3,881 thousand, with no impact on consolidated equity.

IFRS 15 "Revenue from contracts with customers": in May 2014, the IASB and the FASB jointly issued a convergence of standards with regard to recognising revenue from contracts with customers. This standard establishes that revenue is recognised when a customer obtains control of the good or service sold, that is, when the customer has the capacity to both direct the use of the good or service and to obtain the benefits from it. Under IFRS 15, the central model for recognising revenue is structured around the following five steps: Identify the contract with the customer, identify the separate obligation of the contract, determine the price of the transaction, distribute the price of the transaction between the obligations identified and recognise the revenue as and when the obligations are satisfied. This standard includes new guidance for determining if revenue should be recognised over time or at a given moment.

IFRS 15 requires broad information both on the revenue recognised and on revenue expected to be recognised in the future with regard to existing contracts. It also requires quantitative and qualitative information on significant judgements made by management in determining the revenue that is recognised as well as on the changes in these judgements.

The aforementioned requirements must be applied retrospectively.

Subsequently, in April 2016, the IASB published amendments to this standard with the issue of the "Clarifications to IFRS 15 - Revenue from contracts with customers" with the aim of:

- Clarifying the guidelines for identifying performance obligations, accounting for intellectual property licences, and the principal versus agent evaluation (presentation of ordinary net revenue versus gross).
- Include new and amended illustrative examples for each one of the areas of the guidelines.
- Provide additional practical resources relating to the transition to the new standard.

These amendments do not change the fundamental principles of IFRS 15 but they do clarify some of the most complex aspects of this standard.

Both the standard and the amendments are in force for the annual periods commencing 1 January 2018 with its retroactive application being obligatory.

In 2017 and prior to the entry info force of IFRS 15, the Management of the BME Group performed an analysis of the standard and its possible impacts on the Group's accounting policy and concluded that there were no material changes thereto and that there would be no significant accounting impacts, and this was revealed in the consolidated financial statements for 2017 and in the abridged consolidated financial statements corresponding to the period of six months ending 30 June 2018, in compliance with the prevailing legislation.

In September 2018, the International Financial Reporting Interpretations Committee (hereinafter IFRIC) issued a tentative decision, which became final in January 2019, on its interpretation of the application of IFRS 15 in respect of execution obligations arising from listing services provided by securities markets, in which it is concluded that in the case of services for the admission of securities to trading there is only one execution obligation which is satisfied over the time that the securities remain listed, and there is no separate execution obligation to be discharged at the specific time of admission. Therefore, in accordance with this decision, the fees for admission of securities to trading on the stock markets must be accrued as revenue during the life of the service provided, i.e., based on the estimation of the time that the issued securities are traded on the aforementioned markets.

Pursuant to the foregoing, the Group adopted IFRS 15 as of 1 January 2018 retrospectively, adjusting the opening balance on the date of first application without restating the comparative figures for the financial year prior to the initial adoption, in compliance with that indicated in said standard, resulting in the following:

a) Changes in the accounting policies regarding the recognition of revenue for listing services, specifically revenue from "Admission of securities to trading" and "Admission to trading of fixed-income issues".

Under IFRS 18 "Ordinary revenue", revenue from "Admission of securities to trading" and "Admission to trading of fixed-income issues" are recognised in full at the time of admission to trading of the securities or fixed-income issues. Under IFRS 15 "Revenue from contracts with customers" and taking into account the recent interpretation of the IFRIC, revenue is recognised when the obligation of the contract is satisfied (estimated period of time during which the securities remain admitted to trading on the market). Based on the historic information of the managed markets and the future forecasts of the permanency of the securities and issues on the markets, the Group recognises the revenue from "Admission of securities to trading" and "Admission to trading of fixed-income issues" at an average period of between 8 and 6 years, depending on the nature of the security (Notes 2-n and 17).

The impact recognised at 1 January 2018 in the opening balances of the consolidated financial statements at 31 December 2018 is as follows:

CONSOLIDATED BALANCE SHEET

	IAS 18 31-12-2017	Reclassification IFRS 15	Impact of adopting IFRS 15	IFRS 15 01-01-2018
Reserves	112,260	-	(16,993)	95,267
Deferred tax assets	9,065	-	5,664	14,729
Other current liabilities	1,749	-	5,393	7,142
Other non-current liabilities	14	-	17,264	17,278
Trade receivables for sales and services	34,031	-	-	34,031
Of which:				
Current contract assets	-	*3,783*	-	*3,783*
Other Customers	*34,031*	*(3,783)*	-	*30,248*

b) Presentation and description of the contract assets and contract liabilities. The Group recognises the contract assets under the heading "Trade and other receivables - Trade receivables for sales and services" (Notes 2.e.iii and 8) and contract liabilities under the heading other liabilities (Current and non-current) (Notes 2-h and 15).

The Group decided to apply the practical solutions consisting in not considering the financing component significant when the payment period is less than a year, not applying the standard retrospectively to the contracts completed prior to 1 January 2018 and recognising the costs for obtaining the contracts as an expense when their expected amortisation period is one year or less.

- Annual improvements to IFRS. 2014 - 2016 Cycle: The amendments affect, inter alia, IAS 28 "Investments in Associates and Joint Ventures" and apply to the annual periods commencing 1 January 2018. The main amendments refer to the measurement of an investment in an associate or joint venture at fair value.

  These amendments did not have a material impact on the consolidated financial statements.

- IFRS 2 (Amendment) "Classification and measurement of share-based payment transactions": The amendment to IFRS 2, which was implemented through the IFRS Interpretation Committee, clarifies how to account for certain types of share-based payment transactions. It provides the accounting requirements for the effect of vesting and non-vesting conditions in the measurement of cash-settled share-based payments; share-based payments settled net of tax withholdings; and a modification of share-based payment transactions from cash-settled to equity-settled.

  This amendment is effective for annual periods beginning on or after 1 January 2018.

  This amendment did not have a material impact on the consolidated financial statements.

- IFRIC 22 "Foreign currency transactions and advance consideration": this IFRIC clarifies how to determine the transaction date for the application of the standard on transactions in foreign currencies, IAS 21. The interpretation applies when an entity has paid or received advanced consideration in a foreign currency. The transaction date determines the exchange rate to be used on initial recognition of the related asset, expense or income. The issue arises because IAS 21 requires entities to use the exchange rate at the "transaction date", which is defined as the date on which the transaction first qualifies for recognition. Therefore, the question is whether the transaction date is the date on which the asset, expense or income is initially recognised or the first date on which the advanced consideration is paid or received, resulting in an advance payment or deferred income. The interpretation provides guidance for when a single payment/collection is made and when there are multiple payments/collections. The purpose of the guidance is to reduce divergent practices.

  The interpretation is effective for annual periods beginning on or after 1 January 2018.

  This interpretation did not have a material impact on the consolidated financial statements.

Standards, amendments and interpretations that are not yet in force, but may be adopted ahead of financial years beginning on or after 1 January 2018

At the date on which these consolidated financial statements were drawn up, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations that are mandatory as of the financial year 2019, and which the Group did not adopt ahead of schedule.

- IFRS 16 "Leases": in January 2016 the IASB published a new standard on leases derogating IAS 17 "Leases", as part of a joint project with the FASB. The IASB and the FASB reached the same conclusions in many areas relating to the accounting of lease contracts, including the definition of a lease, the general requirement to recognise leases on the balanced sheet, and the measurement of lease liabilities. The IASB and the FASB also agreed not to make any major changes to the accounting by the lessor, and to maintain requirements similar to those stipulated in the previous standard. However, there are still discrepancies between the IASB and the FASB in relation to the recognition and presentation of expenditure in connection with leases on the income statement and the statement of cash flows.

  This standard will be applicable to annual periods beginning on or after 1 January 2019, although early adoption is permitted.

  As a general rule, the standard requires the reflection of the leases on the balance sheet and the valuation of lease liabilities. It also requires that no material changes are made to the accounting by the lessor, and to maintain requirements similar to those stipulated in the previous standard. This standard will be applicable to annual periods beginning on or after 1 January 2019. It may be adopted early, but only if IFRS 15 "Revenue from Contracts with Customers" is applied simultaneously.

The Group's Management decided to adopt the criteria established by IFRS 16 for the recognition of lease contracts using a modified retrospective approach, adjusting the opening balance on the date of first application without restating the comparative figures for the financial year prior to the initial adoption. The Group's management also decided to apply the practical solution permitted by IFRS 16 of not evaluating the first application if the contracts are, or contain, a lease under the new definition, and will therefore apply IFRS 16 to those contracts that were previously identified as lease contracts.

Given the Group's operations, the leases subject to the application of the standard are mostly related to property contracts, with the remainder being immaterial leases. With these contracts in mind and with a view to applying IFRS 16, the Group performed the following estimates:

» Lease term: the Group evaluated the possibility of executing extension or early cancelation options and this is considered in the estimate of the lease term.

» Discount rate: bearing in mind that the Group decided to apply the standard using a modified retrospective approach, the discount rate used in the appraisal will be the incremental interest rate of the lessee estimated at said date. To this end, the Group calculated said incremental interest rate using a synthetic rating depending on the comparable companies in the sector and an interest rate depending on the lease terms.

» Consumer Price Index (CPI): In relation to the estimate of the CPI, the CPI forecast by the International Monetary Fund for Spain is considered.

On 31 December 2018, BME Group held non-cancellable operating lease obligations totalling €33,962 thousand euros, see Note 20, of which approximately €2,536 thousand correspond to short-term leases.

By applying the aforementioned standard, the Group estimates to recognise on 1 January 2019 right-of-use assets for the amount of €19,818 thousand and lease liabilities totalling €25,941 thousand with a charge to reserves of approximately €6,123 thousand.

The Group does not expect the adoption of the new standard to have a significant impact on the net profit after tax. However, it is expected that the EBITDA used to measure the results of the segments will increase by approximately €1,805 thousand, given that the operating lease payments were included in the EBITDA, but the amortisation of the right-of-use assets and the interests on the lease liabilities are excluded from this measure.

- IFRS 9 (Amendment) "Component of advance payment with negative offsetting": the terms of instruments with advance payment characteristics with negative offsetting, where the lender may be obliged to accept an advanced amount substantially lower than the unpaid amounts of principal and interest, were incompatible with the idea of "fair additional compensation" due to the early termination of contract according to IFRS 9. Subsequently, these instruments would not have any contractual cash flows which are only capital and interest payments, which would be accounted for at fair value with changes reflected in the income statement. The amendment to IFRS 9 clarifies that a party can pay or receive fair compensation when a contract is terminated early, which would allow these instruments to be measured at amortised cost or fair value with changes in other comprehensive income.

  The amendment will be effective for annual periods beginning on or after 1 January 2019, although early adoption is permitted.

  The application of this amendment is not expected to have a material impact on the Group.

- IFRIC 23 "Uncertainty over income tax treatments": the interpretation provides requirements that are added to those of IAS 12 "Income taxes", detailing how to reflect the effects of uncertainty in the accounting of income taxes. This interpretation clarifies how to apply the recognition and measuring requirements of IAS 12 when there is uncertainty concerning their accounting treatment.

  The interpretation will be effective for annual periods beginning on or after 1 January 2019, although early adoption is permitted.

  The application of this interpretation is not expected to have a material impact on the Group.

Standards, amendments and interpretations the effective date of which is subsequent to the date of these consolidated financial statements, or which have yet to be adopted by the European Union

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but had not become effective, either because their effective date was subsequent to the reporting date or because they had yet to be adopted by the European Union, are as follows:

- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates or joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of a business, the investor recognises the gain or loss to the extent of other investors' interests. The amendments will apply only when an investor sells or contributes assets to its associate or joint venture.

  Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015 the IASB decided to defer their date of application (although it did not set any specific new date), as it is planning to undertake a more extensive review that could lead to the simplification of accounting for these transactions and other aspects of accounting for associates and joint ventures.

- IFRS 17 "Insurance contracts": In May 2017, the IASB completed its long-term project to develop an accounting standard for insurance contracts and published IFRS 17, "Insurance contracts". IFRS 17 replaces IFRS 4 "Insurance contracts", which currently permits a wide variety of accounting practices. IFRS 17 will fundamentally change the accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features. This standard will be applicable for annual periods beginning on or after 1 January 2021 and may be adopted early, if IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments" is also applied simultaneously. IFRS 17 is pending approval by the European Union.

- IAS 28 (Amendment) "Long term interests in associates and joint ventures": this amendment to the limited scope clarifies that long-term interests in associates and joint ventures which, in substance, form part of the net investment in the associate or in the joint-venture, but to which the equity method is not applied, are accounted for according to the requirements set forth in IFRS 9 "Financial Instruments". Similarly, the IASB published an example which illustrates how the requirements of IAS 28 and IFRS 9 should be applied with regard to said long-term interests.

  The amendment will be effective for annual periods beginning on or after 1 January 2019, although early adoption is permitted.

- Annual improvements to IFRS. 2015 - 2017 Cycle: the modifications affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and will apply to annual periods beginning on or after 1 January 2019, subject to their adoption by the EU. The main amendments relate to:

  - IFRS 3 "Business Combinations": An interest previously held in a joint-venture is remeasured when control of the business is obtained.
  - IFRS 11 "Joint Arrangements": An interest previously held in a joint-venture is not remeasured when joint control of the business is obtained.
  - IAS 12 "Income taxes": All tax effects arising from the payment of dividends are accounted for in the same manner.
  - IAS 23 "Borrowing costs": Any borrowing directly attributable to the construction or production of a qualifying asset forms part of the general borrowing when the asset is ready for use or sale.

- IAS 19 (Amendment) "Amendment, reduction or settlement of the plan": This amendment specifies how the companies must determine the pension expense when changes occur in a defined benefit plan. This amendment is effective as of 1 January 2019, subject to its adoption by the EU.

- NIIF 3 (Amendment) "Definition of a business": These amendments will aid in determining whether it is an acquisition of a business or a group of assets. The amended definition places emphasis on that the product of a business is to provide goods and services to customers, whereas the previous definition focuses on providing a return in the form of dividends, lower costs and other economic benefits to investors and others. In addition to amending the text of the definition, additional guidelines are provided. For it to be considered a business, an acquisition would have to include materials and a process which together significantly contribute to the capability to create products. The new guidelines provide a framework for evaluating when both elements are present (including companies in an early stage that have not generated products). To be a business without profit or loss, it will now be necessary to have organised labour.

  These amendments will apply to the business combinations for which the acquisition date is after the commencement of the first financial year in which it is informed that starts after 1 January 2020 and to the acquisitions of assets that occur as of the start of said financial year. Early application is permitted.

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material": These amendments clarify the definition of "material", and also introduce the omitted or inaccurate items that could influence the decisions of the users, namely the concept of "dark" information. The IFRS are more coherent as a result of these amendments, but it is not expected that they will have a significant impact on the preparations of the financial standards.

  They will take effect for the annual periods beginning on or after 1 January 2020, although early adoption is permitted.

As at the reporting date the Group is analysing the possible impacts deriving from these new standards or amendments.

c) Use of estimates

The Group's consolidated profits and the determination of its equity are determined by the accounting policies and rules, measurement bases and estimates applied by the Directors in preparing the consolidated financial statements. The main accounting policies and rules and measurement bases used are disclosed in Note 2.

These consolidated financial statements occasionally rely on estimates made by the Senior Management of the Group and of the consolidated entities in order to quantify certain assets, liabilities, revenue, expenses and commitments recognised. These estimates basically relate to the following:

- The assessment of potential impairment losses on certain assets (Notes 2, 5, 6, 7, 8, 9, 10 and 16).
- Assumptions used in the actuarial calculation of provisions for long-term employee benefits (Notes 2-k and 13).
- The useful life of property, plant and equipment and of intangible assets (Notes 2-c, 2-d, 5 and 6).
- The assessment of the potential impairment of goodwill (Notes 2-b and 5).
- The fair value of certain financial instruments (Notes 2-e and 7).
- The calculation of provisions (Notes 2-i, 2-j, 2-k, 12 and 13).
- The period for the recognition of income (Notes 2-n and 17) and contract liabilities (Notes 2-h and 15).
- Assumptions used to determine share-based payment arrangements (Notes 2-m and 19-c).
- Recognition of deferred tax assets (Notes 2-p and 16).

These estimates were drawn up on the basis of the best information available at 31 December 2018. However, it is feasible that future events may require them to be modified (upwards or downwards) in subsequent years. Under IAS 8, the effect of a change in accounting estimates is recognised prospectively by including it in profit or loss in the period of the change.

d) Environmental impact

In view of the business activities carried on by the Group companies, it does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its consolidated equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

e) Events after the reporting period

At the date of authorisation for issue of these consolidated financial statements, no significant events have occurred that have not been disclosed herein.

2. Accounting policies and measurement bases

The accounting policies and rules and measurement bases applied in preparing these consolidated financial statements were as follows:

a) Consolidation principles

i. Subsidiaries

"Subsidiaries" are defined as entities over whose management the Company has the ability to exercise control. The Group is exposed to, or has the right to receive, variable returns from its involvement with the investee and it has the ability to use its power over the investee to influence the amount of the Group's returns. Subsidiaries are consolidated from the date their control is transferred to the Group, and they are excluded from consolidation from the date the Group ceases to exercise control.

The share of non-controlling interests of subsidiaries in the Group's equity is presented in "Non-controlling interests" in the accompanying consolidated balance sheet and in "Profit/(loss) attributable to non-controlling interests" in the accompanying consolidated income statement.

The financial statements of subsidiaries are fully consolidated with those of the Company. Therefore, all material balances and results of transactions carried out between consolidated companies are eliminated on consolidation. Where necessary, adjustments are made to the subsidiaries' financial statements to adapt the accounting policies used to those of the Group.

The results of subsidiaries acquired during the year are included in the consolidated income statement only from the date of acquisition to the year-end. Similarly, the results of subsidiaries disposed of during the year are included on the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I provides a list of the main subsidiaries, along with key information (corporate name, registered address, and ownership interest held by the parent).

All subsidiaries are consolidated using full consolidation, except for the 50% shareholding Regis-TR, S.A., which is accounted for using the equity method (see section below).

ii. Joint arrangements

"Joint arrangements" are investments in companies that are not subsidiaries, but which are jointly controlled by two or more unrelated companies. Joint control is evidenced by a contractual arrangement whereby two or more entities ("joint venturers") invest in entities (jointly-controlled entities) or undertake activities or hold assets such that any strategic financial or operating decision affecting the joint venture requires the unanimous agreement of all the joint venturers.

The Group applies IFRS 11 "Joint Arrangements" to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on each investor's contractual rights and obligations. The Group evaluated the nature of its joint arrangements and determined that they are joint ventures. The Group accounts for its joint ventures using the equity method, i.e., at the Group's share of the net assets of the joint venture, after taking into account the dividends received and other equity eliminations. Gains and losses resulting from transactions are eliminated to the extent of the Group's interest in the joint venture.

The value of investments in joint ventures is recognised in "Investments accounted for using the equity method" in the consolidated balance sheet. At 31 December 2018 and 2017, the entire balance for this item relates to measurement of the investment in Regis-TR, S.A.

Information on joint ventures is disclosed in Appendix I to these notes to the consolidated financial statements..

iii. Associates

Associates are entities over which the Group has significant influence and that are neither a subsidiary nor a jointly controlled entity. Usually, this influence is evidenced by a direct or indirect holding of 20% or more of the investee's voting rights.

In the consolidated financial statements, the Group accounts for its investments in associates using the equity method, i.e. at the Group's share of the net assets of the associate, after taking into account the dividends received and other equity eliminations. Gains and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate.

At 31 December 2018 and 2017, the Group did not have any investments in associates.

iv. Changes in the scope of consolidation

2018

As a result of the incorporation of LATAM Exchanges Data, Inc. (see section v of this Note), this company has been included within the scope of consolidation. This company is fully consolidated within the consolidated financial statements from its date of incorporation.

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The scope of consolidation was amended in 2017 after incorporation of BME Regulatory Services, S.A.U. and BME Soporte Local Colombia, S.A.S. (see section v of this note), the reason for these companies being included within the scope of consolidation. These companies are fully consolidated within the consolidated financial statements from their date of incorporation.

Similarly, as a result of the dissolution of Centro de Cálculo de Bolsa, S.A.U. (see section v of this Note), this company was removed from the scope of consolidation.

v. Acquisitions, disposals and other corporate transactions

The following changes took place in the Group's scope of consolidation in 2018:

- Acquisition of an additional 9% of Open Finance, S.L.:

  On 8 March 2018, Bolsas y Mercados Españoles Inntech, S.A.U. acquired an additional shareholding of 9% of the capital in Open Finance S.L. for the amount of €285 thousand, and as a result, on such date was the owner of 90% of the shares in said company.

- Incorporation of LATAM Exchanges Data, Inc.:

  "LATAM Exchanges Data, Inc." was incorporated on 15 May 2018 as a company in accordance with the laws of the State of Florida. The main registered office of the company is in the city of Miami, (United States of America). The fully subscribed and paid up shares total $1,000 thousand (€873 thousand on 31 December 2018), distributed among 100 ordinary shares which were fully subscribed and paid up by Bolsas y Mercados Españoles Market Data, S.A. (51%) and Bolsa Mexicana de Valores, S.A.B. de Capital Variable (49%).

  The corporate purpose of this company is the design, commercialisation and sale of the information pertaining to the Latin American stock markets..

The following relevant corporate operations were carried out within the Group in 2017:

- Incorporation of BME Soporte Local Colombia, S.A.S.:

  "BME Soporte Local Colombia, S.A.S." was incorporated on 5 January 2017 as a simplified joint stock company, incorporated in accordance with the laws of the Republic of Colombia. The main registered office of the company is in the city of Bogotá, Distrito Capital (Colombia). The subscribed capital is 150,000 thousand Colombian pesos (the equivalent of €50 thousand as at 31 December 2018), divided among 150 million ordinary shares with a par value of 1 Colombian peso each, fully subscribed and paid up by Infobolsa, S.A.U. (now Bolsas y Mercados Españoles Inntech, S.A.U.).

  The company was incorporated for an indefinite period and its corporate purpose is to provide local support to the activities and businesses of the BME Group, among these being the provision of consultancy services in the use of information technology, the provision of services encompassing the study, development, analysis, programming, marketing, licensing, support and maintenance of computer software and electronic equipment, the registration of design data, the establishment, creation, support and operation of procedures, programs, systems, IT, electronic and communications services or networks of any nature with the aim of developing financial activities or activities relating to securities markets..

- Dissolution of Centro de Cálculo de Bolsa, S.A.U.:

  On 1 March 2017, the Sole Shareholder of Sociedad Rectora de la Bolsa de Valores de Barcelona S.A.U. adopted the resolution for the dissolution and simultaneous liquidation of the investee company Centro de Cálculo de Bolsa, S.A.U. Furthermore, on the above date other resolutions were adopted such as the appointment of the sole liquidator for said company, approval of the final liquidation balance sheet, the report on liquidation operations and the liquidation fee for this company. The liquidation fee was satisfied by the sole shareholder on 1 March 2017, the latter assuming any rights and obligations deriving from the liquidation process.

  Similarly, on the aforementioned date the corresponding public deed of dissolution, liquidation and termination of Centro de Cálculo de Bolsa, S.A.U., was executed, with this deed being entered in the Barcelona Companies Register on 15 March 2017.

- Incorporation of BME Regulatory Services, S.A.U.:

  "BME Regulatory Services, S.A.U." was incorporated on 12 May 2017 as a limited company. The share capital was set at €60 thousand represented by 60,000 registered shares with a par value of one Euro each, which were fully subscribed and paid up by Bolsas y Mercados Españoles Inntech, S.A.U.

  The company was incorporated for an indefinite period and its corporate purpose is:

  - To receive, process, prepare, handle, disseminate, store, market and distribute any type of financial, economic, stock market, monetary and commercial information of any type by electronic or other means.
  - To prepare, develop and market programs, computer materials, systems or other elements designed to capture, handle, disseminate and use all kinds of financial, economic, stock market, monetary and commercial information.

» To receive, process, develop, handle, disseminate, store, market and distribute information on issuing entities, financial instruments, operations relating to the foregoing, and their intervening parties, as well as their communication to any natural, legal or institutional persons or public and private authorities, both national or international.

» Perform consultancy and advisory activities and provide services relating to the procedures, developments, management and compliance with legal obligations in respect of the information referred to in the above-mentioned activities.

- Merger by absorption of MEFF Euroservices S.A.U. (Absorbed Company) by MEFF Tecnología y Servicios, S.A.U. (Absorbing Company):

  The respective Governing Bodies of the above-mentioned companies, unanimously, formed the merger project of the above mentioned entities on 29 and 30 March 2017, through the absorption of the company "MEFF Euroservices, S.A.U." (Absorbed Company) by the company "MEFF Tecnología y Servicios, S.A.U." (Absorbing Company) and, as a result of the merger by absorption this resulted in the extinction by means of dissolution without liquidation of the Absorbed Company, with the equity of the latter transferring en bloc to the Absorbing Company.

  The Single Shareholder (Bolsas y Mercados Españoles) of these companies by way of resolutions on 25 April 2017, approved the aforementioned merger which was notarised on 29th of May 2017, and which was filed with the Barcelona Companies Register on 10 July 2017. The operations of the Absorbed Company are considered for accounting purposes to have been performed by the Absorbing Company as of 1 January 2017.

  The referred to merger operation was subject to the special regime for mergers, spin-offs, asset contributions, exchanges of assets and change of registered office of a European Company or a European Cooperative Company of a member State to another of the European Union regulated by Chapter VII of Title VII of Law 27/2014, of 27 December on Income Tax.

- Merger by absorption of the companies Bolsas y Mercados Españoles Innova S.A.U. and Visual Trader Systems, S.L.U. (Absorbed Companies) by Infobolsa, S.A.U. (Absorbing Company):

  On 10 may 2017 the respective Governing Bodies of the above-mentioned companies, formed the merger project of the companies "Bolsas y Mercados Españoles Innova S.A.U." and "Visual Trader Systems, S.L.U." (Absorbed Companies) by the company "Infobolsa, S.A.U." (Absorbing Company) and, as a result of the merger by absorption this resulted in the extinction by means of dissolution without liquidation of the Absorbed Companies, with the equity of the latter transferring en bloc to the Absorbing Company.

  The above-mentioned merger was approved in the resolutions adopted by the Single Shareholder (Bolsas y Mercados Españoles) of the aforementioned companies, all dated 7 June 2017. Furthermore, it was approved to change of the name of "Infobolsa S.A.U." (Absorbing Company) to "Bolsas y Mercados Españoles Inntech, S.A.U.". On 10 July the above-mentioned merger was notarised and filed with the Madrid Companies Register on 21 July 2017. For accounting purposes, the operations of the Absorbed Companies are considered to have been performed by the Absorbing Company as of 1 January 2017.

  The Absorbed Companies and the Absorbing Company are wholly owned by the same shareholder (Bolsas y Mercados Españoles).

  The referred to merger operation was subject to the special regime for mergers, spin-offs, asset contributions, exchanges of assets and change of registered office of a European Company or a European Cooperative Company of a member State to another of the European Union regulated by Chapter VII of Title VII of Law 27/2014, of 27 December on Income Tax.

b) Goodwill

Goodwill represents advance payments made by the acquirer for future economic benefits arising from assets that have not been individually identified and separately recognised. Goodwill is recognised only when the business combination is set up for valuable consideration. Goodwill is not amortised, but is tested periodically for impairment and in the case of impairment the appropriate write-down is made. For the purposes of these consolidated financial statements, goodwill refers both to that arising on consolidation and that originating in Group companies' financial statements (in the latter case, only with reference to Iberclear - Note 5).

For the purpose of analysing impairment, goodwill is assigned to one or more cash-generating units (CGUs) which are expected to benefit from the synergies deriving from the business combinations. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows for the Group that are largely independent of the cash inflows generated from other assets or groups of assets. Each unit or units to which goodwill is assigned:

- Represents the lowest level at which the goodwill is monitored for internal management purposes.
- Is not larger than an operating segment.

Cash-generating units to which goodwill has been allocated are tested for impairment including the portion of the goodwill allocated to their carrying amount. This test is performed at least annually, and whenever there are indications of impairment.

For the purposes of measuring impairment in the value of a cash-generating unit to which a portion of goodwill has been allocated, the unit's carrying amount, adjusted, as appropriate, for the amount of goodwill attributable to non-controlling interests, unless the non-controlling interests are measured at fair value, is compared with its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, the Group recognises an impairment loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, if losses remain, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. If non-controlling interests are measured at fair value, the impairment of goodwill attributable to these non-controlling interests is recognised. In any event, impairment losses relating to goodwill cannot be reversed.

Goodwill impairment losses are recognised in "Impairment and gains (losses) on disposal of non-current assets" on the attached consolidated income statement. In 2018 the Group restructured the goodwill assigned to the cash-generating unit Open Finance, S.L. for the amount of €993 thousand, without identifying additional restructuring for the other cash generating units. In 2017, no goodwill impairment losses were written-down given that it was considered unnecessary to do so in light of the results of the tests conducted.

c) Other intangible assets

Intangible assets are identifiable (i.e. separable from other assets) non-monetary assets without physical substance which arise from contractual or other legal rights or which are developed internally by the Group. They are recognised only when their cost can be estimated reliably and when it is probable that the expected future economic benefits will flow to the Group.

Intangible assets are measured initially at acquisition or production cost, and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets can have an indefinite useful life (when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group) or a finite useful life (all other cases).

All the Group's intangible assets have a finite useful life and correspond primarily to computer software. Most of the computer applications are developed internally by the Group (Note 5). These assets are amortised over the best estimate of their useful lives, using methods similar to those used to depreciate property, plant and equipment (Note 2-d).

Expenditures on in-house research initiatives related to software are recognised as an expense for the period in which they are incurred. Expenditure during the development phase of computer software of an internal project is recognised as an intangible asset with a credit to "Own work capitalised" in the consolidated income statement, if, and only if, the entity can demonstrate all of the following:

1. the availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
2. the intention to complete the software and use or sell it.
3. the ability to use the software.
4. the usefulness of the software.
5. its ability to reliably measure the expenditure attributable to the software during its development.

The annual amortisation charge for software is recognised under "Amortisation and depreciation - Amortisation of intangible assets" in the consolidated income statement.

Maintenance costs of computer systems are recognised in the consolidated income for the period in which they are incurred.

The Group recognises any impairment losses on intangible assets with a balancing entry against "Impairment and gains (losses) on disposal of non-current assets" in the consolidated income statement. The criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment (Note 2-d).

d) Property, plant and equipment

Property, plant and equipment for own use (which represents all the property, plant and equipment and includes, basically, own assets intended for continued use) is presented at acquisition cost less accumulated depreciation and any impairment losses estimated by comparing the carrying amount of each item with its recoverable amount.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value. The land on which Group buildings and other constructions are located is deemed to have an indefinite life and, therefore, is not depreciated.

The annual depreciation charge for property, plant and equipment is recognised with a balancing entry in "Amortisation and depreciation - Depreciation" in the consolidated income statement. Generally, the following annual depreciation rates are used (based on the remaining estimated useful lives of the different items taken as an average):

	% Annual
Buildings (except land)	2%
Furniture and installations	8% - 20%
Information technology equipment	17% - 33%
Motor vehicles and other	5% - 17%

At the end of each reporting period, management assesses whether there are any internal or external indications that the net amount of an item of property, plant and equipment exceeds its recoverable amount, in which case the carrying amount of the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the revised carrying amount and the new remaining useful life, if it needs to be re-estimated.

Similarly, if there is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, the impairment loss previously recognised is reversed and the future depreciation charges are adjusted accordingly. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Similarly, the useful lives of all items of property, plant and equipment for own use are reviewed at least at each financial year-end. If expectations differ significantly from previous estimates, the changes are recognised prospectively in the consolidated income statement by adjusting the depreciation charges to reflect the new estimated useful lives.

Upkeep and maintenance costs on property, plant and equipment for own use are charged to the consolidated income statement in the year in which they are incurred.

Impairment losses, and any reversals therefore, are recognised in "Impairment and gains (losses) on disposal of non-current assets" in the consolidated income statement.

No assets of significant amounts had been acquired by the Group under finance lease arrangements at 31 December 2018 or 2017.

e) Definitions, recognition, classification and measurement of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

An "equity instrument" is any contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest or exchange rate, financial instrument price or market index, including credit ratings) and that requires only a very small initial investment relative to other financial instruments that have a similar response to changes in market factors, and is generally settled at a future date.

The following are scoped out of the accounting rules for financial instruments:

- Investments in subsidiaries, joint ventures and associates.
- Rights and obligations under employee benefit plans (Note 13).
- Contracts and obligations related to share-based payment transactions (Note 19-c).

ii. Classification of financial assets for measurement purposes

Firstly, the financial assets are grouped within the different categories into which they are classified for the purposes of their management and measurement. The Group classifies its financial assets into the following measurement categories:

- those which are subsequently measured at fair value through (whether with changes in comprehensive income or in profit and loss), and
- those measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For those assets measured at fair value, the gains and losses are recognised in income or comprehensive income. For equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable choice at the time of initial recognition to recognise its equity investments at fair value with changes in other comprehensive income.

The Group reclassifies debt investments only when its business model for managing these assets changes.

The Group uses the following criteria for classifying its financial instruments:

Debt instruments

The Group uses three different categories to classify its debt instruments:

- Amortised cost: the assets that are held for the collection of contractual cash flows when these cash flows represent only payments of principle and interests are measured at amortised cost. The interest income from these financial assets are included in the financial income in accordance with the effective interest method. A gain or loss arising from the de-recognition in accounts is directly recognised in income under "Impairment and gains (losses) on disposal of financial instruments" together with the gains and losses due to exchange rate differences. Impairment losses are presented in the same previous item of the income account, with the corresponding breakdown, as appropriate, in the notes.
- Fair value with changes in comprehensive income: the assets that are held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of the assets represent only payments of principle and interest, are measured at fair value with changes in other comprehensive income. The changes in the carrying amount are recognised in other comprehensive income, except for the recognition of impairment gains or losses, ordinary revenue from interest and gains or losses due to exchange rate differences that are recognised in income.

  When the financial asset is de-recognised in the accounts, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income and recognised as "Impairment and gain (losses) in disposal of financial instruments". The interest income from these financial assets are included in the financial income in accordance with the effective interest method. Exchange rate gains and losses are presented in the same previous item of the income statement, with the corresponding breakdown, as appropriate, in the notes.

  Neither at 1 January 2018 nor during the 2018 financial year were assets held in this measurement category.
- Fair value with changes in income: the assets that do not meet the criteria for amortised cost or for fair value with changes in comprehensive income are recognised at fair value in profit and loss. A gain or a loss in a debt investment that is subsequently recognised at fair value with changes in income is recognised in income and presented net within the "Changes in fair value of financial instruments" heading for the year in which they occur.

  Neither at 1 January 2018 nor during the 2018 financial year were assets held in this measurement category.

Own equity instruments

When the Group's Management decided to present the gains and losses at the fair value of the investments in equity instruments in other comprehensive income, both the changes in fair value and the value impairments (and impairment reversals) are recognised in other comprehensive income, without any later reclassification of the gains and losses in the fair value to income at the moment of de-recognition of the investment.

For all other cases, the changes in fair value are recognised in other gains/(losses) of the income statement when applicable.

The dividends from such investment continue to be recognised in the income for the financial year as other income when the right of the Group to receive the payments is established.

The Group applied IAS 39 up until 31 December 2017, under which the following four classifications that are not applicable under IFRS 9 (Note 1-b) existed:

- Loans and receivables: included mainly financial assets originated by the Group companies in exchange for supplying cash (including reverse repurchase agreements and deposits given) or in exchange for providing the services that constitute the corporate purpose of each company (this item included the balances pending next day settlement for futures margin calls and for daily options trades). This item also included financial assets in which BME Clearing and MEFF Tecnología y Servicios invested the funds received as collateral from participants and members of the electricity market.

- Financial assets held for trading: included all fixed-income positions (cleared through BME Clearing Repo), equity securities and options trades in which the Group acts as the CCP, which is why the positions held in these financial assets matched the equivalent positions in financial liabilities (see section v. of this Note).
- Held-to-maturity investments: included debt securities with fixed maturity and fixed or determinable payments traded in an active market, which the company has the intention and ability to hold to maturity.
- Available-for-sale financial assets: included all financial assets that are not held for trading and that are not classified as held-to-maturity, such as loans or receivables originated by the Group, or at fair value with changes in profit or loss.

iii. Classification of financial assets for presentation purposes

In the accompanying consolidated balance sheet, financial assets are classified by maturity; those maturing in 12 months or less are classified as "current" and those maturing in over 12 months as "non-current".

The various classes of financial instruments outlined above are classified in the balance sheet as follows:

- Non-current financial assets: includes listed and non-listed equity securities which were irrevocably selected at the time of initial recognition, recognised at fair value with changes in other comprehensive income, such as long-term guarantees extended in respect of the lease of the buildings where the Bolsas y Mercados Españoles Group companies currently conduct their activities, as well as assets arising from measurement of defined-benefit post-employment obligations due to retirement bonuses, which in both cases are measured at amortised value given the Group's business model and contractual terms of the cash flows.
- Current financial assets: mainly includes debt securities, bank deposits in which any surplus cash held by the Group companies is invested and is measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Other current financial assets – Realisation of guarantees received from participants: includes mainly reverse repurchase agreements, deposits given, and, where applicable, other cash equivalents in which the Group invests the funds temporarily obtained as a result of transactions involving the margin deposits that members of BME Clearing (Appendix I) and members of the electricity market, where MEFF Tecnología y Servicios (Appendix I) acts as a clearing house for settlements and guarantees, are required to make to guarantee open positions in their respective markets (see section V of this Note). These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Other current financial assets - Financial instruments in CCP: corresponds to the registered positions in the interposition of BME Clearing in the obligations arising from the purchase of derivative instruments (options), equity securities and fixed income securities (BME Clearing Repo transactions), for which BME Clearing acts as central counterparty clearing house (CCP) and which are recognised under "Other current financial assets - Financial instruments in CCP" (Note 7).

  The positions of these financial assets coincide with the corresponding financial liabilities (sale transactions of derivative instruments, equity securities and fixed-income securities) and are executed on the trade date, the moment at which BME Clearing irrevocably interposes in the obligations, in accordance with Law 41/1999, dated 12 November, on payment systems and securities settlement, and Directive 98/26/CE, of the European Parliament and of the Council, of 19 May, on the finality of settlement in securities payment and settlement systems.

  Both the transaction executed by the central counterparty clearing house in its interposition as business model and the contractual characteristics of the obligations contracted comply with the premises for classifying the financial assets by positions in the central counterparty at amortised cost
- Other current financial assets – Receivables for settlement: includes outstanding balances receivable (for next day settlement) on futures margin calls and daily options trades, presented at the position held by each clearing member (section V below). These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Other current financial assets – Realisation of cash withheld for settlement: details the cash withheld temporarily in the settlement process in the market spot segment as a result of the BME Clearing's involvement in all buy and sell instructions. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows

- Other current financial assets – Cash receivables for settlement: includes the Group's collection right for the financing provided by BME Clearing to the system for the cash differences of the failed instructions pending settlement in which the Company is involved. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Trade and other receivables (current assets): includes mainly balances arising from the provision of the services that constitute the Group companies' corporate purposes and with public bodies. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

  It also includes the contract assets, which are defined as the right to a consideration in exchange for goods or services that the Group has transferred to a client. If the Group executes obligations transferring goods or services to the client before said client pays the consideration or before the payment is enforceable, the Group will present the contract as a contract asset, excluding any amount that may have been paid on account. The Group recognises the contract assets under the heading "Trade and other receivables - Trade receivables for sales and services".
- Cash and cash equivalents (current assets): includes cash, reverse repurchase agreements, short-term bank deposits and other cash equivalents (maturity of less than three months) in which any surplus cash held by the Group companies is invested. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

iv. Measurement and recognition of gains (losses) on financial assets

Financial assets are recognised in the Group's consolidated balance sheet upon acquisition. At the time of initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value with changes in profit and loss, the costs of the transaction that are directly attributable to the acquisition of the financial assets. The transaction costs of financial assets at fair value with changes in income are recognised in profit and loss.

Financial assets with implicit derivatives are considered in their entirely when determining if their cash flows are only the payment of principle and interest.

At the close of each accounting period these are measured in accordance with the criteria indicated in section ii. of this Note.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date between two knowledgeable, willing parties in an arms' length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. Notwithstanding the foregoing, the limits of the valuation models developed and possible inaccuracies in the assumptions required by these models may lead to the fair value of a financial instrument measured using this method not coinciding exactly with the price at which the instrument might be bought or sold on the measurement date.

Equity investments in other companies whose fair value cannot be determined in a sufficiently objective manner are carried at cost adjusted for any impairment losses.

"Amortised cost" is understood to mean the amount at which the financial asset or financial liability is initially recognised, less any repayments of principle, plus or less the accumulated amortisation using the effective interest rate method for the entire difference existing between this initial amount and the amount at maturity and, in the case of the financial assets, including any valuation adjustments due to impairment.

The "effective interest rate" is the rate that exactly equals the gross carrying amount of the financial asset or the amortised cost of the financial liability with the estimated cash flows during the estimated life of the financial instrument, in addition to the contractual conditions, but without considering the forecast credit losses. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate at the time of acquisition, adjusted as necessary for any commissions or transaction costs which due to their nature are assignable to an interest rate. In the case of floating rate financial instruments, the effective interest rate coincides with the prevailing total yield for all items up to the earliest resetting of the benchmark interest rate.

All derivatives are recognised in the balance sheet at fair value from the trade date. If the fair value is positive, they are recognised as an asset, and if the fair value is negative, they are recognised as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price.

v. Classification of financial liabilities for measurement and presentation purposes

Firstly, the financial liabilities are grouped within the different categories into which they are classified for the purposes of their management and measurement. The criteria established under IAS 39 for the classification and measurement of the financial liabilities are for the most part maintained under IFRS 9 (Note 1-b).

The financial liabilities are included for measurement purposes in the accounts payable portfolio (at amortised cost), and this includes positions in fixed-income (cleared through BME Clearing Repo) and equity securities as well as optional trades in which the Group acts as the central counterparty and the positions of which coincide with the corresponding positions of the financial assets (sections ii. and iii. of this Note) and are therefore measured by applying the same criteria defined for said assets (previous section); as well as the entirety of the other financial liabilities, including cash deposits received by the Group as collateral from participants to ensure their compliance with all obligations with the Group.

These financial liabilities will be initially recognised at fair value and subsequently, at least at the date of each monthly close, measured at amortised cost using the effective interest rate method.

In the accompanying consolidated balance sheet, financial liabilities are classified by maturity; those maturing in 12 months or less are classified as "current" and those maturing in over 12 months as "non-current".

In 2018 and 2017, financial liabilities at amortised cost were recognised, in the case of guarantees received from the participants under "Other current financial liabilities – Guarantees received from participants", unsettled balances for futures margin calls and daily options trades pending next day settlement under "Other current financial liabilities – Payables for settlement" and the balancing entry for initial recognition of the cash withheld for settlement described in section iii. of this Note under "Other current financial liabilities – Payables for cash withheld for settlement" and the amounts pending payment with suppliers, staff and public administrations resulting from the activity of the different companies of the Group under the heading "Trade and other payables" of the consolidated balance sheet.

Similarly, and resulting from the entry into force of IFRS 9, the heading "Other current financial liabilities - Financial instruments in CCP" for 2018 (IFRS 9) and 2017 (IAS 39) includes all the financial positions classified as "Debits and items payable (amortised cost)" and "Financial assets held for trading", respectively (section iii. of this Note and Note 7).

vi. Impairment of financial assets

Definition

A financial asset is considered to be impaired (and its carrying value corrected to reflect the effect of the impairment) when there is objective evidence that events have occurred that give rise to, in the case of debt instruments, a negative impact on the future cash flows estimated at the time of formalising the transaction.

As a general rule, impairment losses on financial instruments are recognised in the income statement in the period in which the impairment is identified. Reversals, if any, of previously recognised impairment losses are recognised in the income statement in the period in which the impairment is eliminated or decreases. In all cases, impairment losses are recognised with a charge or credit to "Other operating costs - Losses, impairment and changes in trade provisions" in the consolidated income statement, in the case of impairment of non-performing trade receivables and any reversals thereof (Note 8), and to "Impairment and gains (losses) on disposal of financial instruments" in all other cases (Notes 7 and 9).

When the recovery of any recognised amount is considered unlikely, the amount is written off from the consolidated balance sheet, without prejudice to any actions that the Group may initiate to seek collection until its rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The asset impairment model of IFRS 9 applies to the financial assets measured at fair value and to the debt instruments measured as fair value with changes in other comprehensive income. The methodology applied for the impairment depends on whether there has been a significant increase in credit risk. The main new development with regards the aforementioned rule lies in the fact that the new accounting standard introduces the concept of forecast loss compared to the previous model (IAS 39), based on the loss incurred (Note 1-b).

The Group applies the simplified approach of IFRS 9 to evaluate the forecast credit losses which uses a valuation adjustment for forecast losses during the whole lifecycle for the trade receivables, other debtors and contract assets (section h of this Note).

In order to measure the forecast credit losses, the trade receivables, other receivables and contract assets have been regrouped according to shared credit risk and days due. The contract assets are related to the unbilled work in progress and have essentially the same risk characteristics as the trade receivables of the same types of contracts. Therefore, the Group concludes that the forecast loss ratios for the accounts receivable are a fair approximation of the loss ratios for contract assets.

The forecast loss ratios are based on historic credit losses experienced during at least three periods of 24 months prior to 1 January 2017. Using this as a basis, the loss adjustments are determined for 31 December 2018 and 1 January 2018 (at the time of adoption of IFRS 9).

Trade receivables are written off when there is no reasonable expectation of recovery. The indicators that there is no reasonable expectation of recovery include, inter alia, the fact that a debtor does not commit to a repayment plan with the Group and the default of the contractual payments during a period of more than 5 years.

With regard to all other financial liabilities classified at amortised cost, no significant impairment losses have been identified given that it mainly corresponds to fixed-income positions (cleared through BME Clearing Repo), equity and options for which the Group acts as the central counterparty that have the collateral provided by the members to mitigate the credit risk of the central counterparty clearing house.

Impairment losses are recognised in the consolidated income statement under "Impairment and gains (losses) on disposal of financial instruments" in the period in which they arise, by directly reducing the cost of the instrument. These losses can only be reversed if the related assets are sold at a later date.

In 2018, impairment losses recognised corresponded to Trade and other receivables for the amount of €376 thousand (€653 thousand in Trade and other receivables during 2017) (Notes 7 and 8).

vii. Valuation techniques

Below follows a summary of the different valuation techniques used by the Group to measure financial instruments recognised at fair value (except in 2017 (IAS 39) the financial assets at fair value with changes in income, that correspond in their entirety to the positions in financial instruments in the central counterparty) using the following hierarchy of fair values in the following levels at 31 December 2018 and 2017 (Note 7):

- Level 1: the fair values are obtained from quoted prices (unadjusted) in active markets for an identical instrument.
- Level 2: the fair values are obtained from quoted prices for similar instruments in active markets, prices of recent transactions or expected cash flows or other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- Level 3: the fair values are obtained from valuation techniques in which there is a significant input not based on observable market data.

The detail of level 1, 2 and 3 fair value measurements at 31 December 2018 and 2017 is as follows:

			Thousands of euros		
			FAIR VALUE HIERARCHY		
2018	**Total balance (**)**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value with changes in other comprehensive income (*)	9,306	9,306	9,306	-	-
	9,306	**9,306**	**9,306**	**-**	**-**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).
(**) Does not include certain unquoted equity securities measured at cost (Note 7).

			Thousands of euros		
			FAIR VALUE HIERARCHY		
2017	**Total balance (**)**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets (*)	8,941	8,941	8,941	-	-
	8,941	**8,941**	**8,941**	**-**	**-**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).
(**) Does not include certain unquoted equity securities measured at cost (Note 7).

There were no transfers between Levels 1 and 2 in 2018 and 2017.

viii. Derecognition of financial assets and financial liabilities

Financial assets are only derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred, i.e., the risks and rewards incidental to ownership of the financial assets have been substantially transferred. Similarly, financial liabilities are derecognised only when the obligations they generate have been extinguished or when they are acquired (with the intention either to cancel them or resell them).

f) Own equity instruments

i. Definition

Own equity instruments are those that meet the following conditions:

- The instrument includes no contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the issuer.
- If the instrument will or may be settled with the issuer's own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Capital and other equity instruments issued by the Group are recognised in equity at the amount received, net of direct issuance costs.

Treasury shares acquired by the Company during the year are recognised at the amount of consideration paid and are deducted directly from equity under "Parent shares and equity holdings" (Note 11).

Gains or losses on transactions with own equity instruments, including issuance and cancellation of these instruments, are recognised directly in equity.

g) Classification of payables into current and non-current

Payables in the accompanying consolidated balance sheets are classified by maturity; i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

h) Other assets and other liabilities (current and non-current)

"Other assets" and "Other liabilities" in the consolidated balance sheets include amounts of the assets and liabilities not recognised in other items. These balances correspond basically to accrual accounts (excluding accrued interest, which is recognised in the items that include the financial instruments that give rise to the interest).

Similarly, the "Other liabilities" heading of the consolidated statement of financial position includes the contract liabilities, which are defined as the obligation of the Group to transfer to a customer goods or services for which the customer has paid a consideration (or for which an amount is payable by the customer as consideration). If the customer pays a consideration, or the group has the unconditional right to receive an amount as consideration (i.e., an account receivable), before the Group transfers a good or service to the customer, the Group will present the contract as a contract liability when the payment is made or when the payment is demanded (if this date is earlier). The Group recognises the contract liabilities under "Other liabilities".

i) Provisions and contingent liabilities (assets)

At the date of authorisation for issue of the Group's consolidated annual financial statements, the Directors distinguished between:

- Provisions: credit balances that cover present obligations at the date of the balance sheet arising from past events which could give rise to a loss for the entities, which is considered to be likely to occur and certain as to nature, but uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities, and
- Contingent assets: possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or uncertain future events not wholly within the control of the Group. Contingent assets are not recognised in either the consolidated balance sheet or the consolidated income statement, but are disclosed in the accompanying notes when an increased inflow of resources embodying economic benefits is probable.

The consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled (Note 12). Contingent liabilities are not recognised in the consolidated financial statements, but disclosed in the accompanying notes.

Provisions (which are quantified based on the best available information about the consequences of the events giving rise to them and reviewed at each reporting date) are recognised to meet specific obligations for which they were originally recognised, and are reversed, fully or partially, whenever these obligations cease to exist or are reduced.

j) Ongoing litigation and/or claims

At year-end 2018 and 2017 a number of legal proceedings and claims had been filed against Group Companies in connection with the ordinary course of their businesses. Both the Group's legal advisors and directors believe that the outcome of these proceedings and claims will not have any effect on the consolidated financial statements of the years in which they are resolved and for which adequate provision has been made (Note 12).

k) Post-employment and other long-term benefits

Certain Group Companies are required, under their prevailing collective bargaining agreements and/or the collective bargaining agreement, which applies to most Group Companies, to fulfil a number of commitments vis-à-vis their employees.

i. Post-employment obligations

Post-employment benefits are amounts payable to employees that are settled upon termination of employment. Post-employment benefits, whether covered with internal or external pension funds, are classified as defined-contribution or defined-benefit plans according to the terms of the obligations, considering all the commitments assumed within and outside the contractual arrangements with the employees.

Post-employment obligations are classified as "defined contribution plans" when the Group pays fixed contributions into a separate entity (recognised under "Staff costs - Social welfare expenses" in the consolidated income statement) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. All other post-employment benefit plans are "defined-benefit plans".

Defined-contribution plans

The contributions made each year in this connection are recognised under "Staff costs - Social welfare expenses" in the consolidated income statement. The amounts not yet contributed at each year-end are recognised under "Non-current provisions – Long-term employee benefit obligations" on the liability side of the consolidated balance sheet, at their present value where warranted.

The Group has an agreement with a small group of employees whereby it undertakes to contribute a fixed percentage of the pensionable salary of these employees to a defined contribution plan. This contribution is made to an external plan called the "Plan de Pensiones AIAF Mercado de Renta Fija", part of the Santander Colectivos Renta Variable Mixta 2 pension fund, which is managed by Santander Pensiones S.A., E.G.F.P. The expense recognised for the contributions made by the Group in this connection in 2018 and 2017, totalling €58 thousand for each financial year, was recognised under "Staff costs - Social welfare expenses" in the consolidated income statement (Note 19).

The Group has also taken out a collective life insurance policy carrying social provision benefits, covering the retirement, death or permanent disability of certain Directors (see Note 4). The annual contribution to this insurance, including contributions on account of other Group employees not classified as senior management, amounted to €139 thousand in 2018 (€343 thousand in 2017), recognised in "Staff costs – Social welfare expenses" in the consolidated income statement (Note 19).

Defined-benefit plans

The Group recognises under "Non-current provisions – Long-term employee benefits" on the liability side of the consolidated balance sheet (Note 13) the present value of defined benefit post-employment obligations, net of the fair value of the Plan assets.

The present value of defined-benefit post-employment obligations is calculated by discounting the expected future cash flows using a discount rate determined by reference to market yields on high quality corporate bonds, consistent with the currency and estimated terms under which the post-employment benefit obligations will be settled.

If the treatment described in the previous paragraph gives rise to an asset, it is recognised under "Non-current financial assets" on the assets side of the consolidated balance sheet (Note 7) up to the present value of any economic benefits that could return to the Group in the form of direct refunds from the plan or reductions in future payments to the plan. Any adjustments to be made to the measurement of a post-employment benefits asset are recognised directly in equity as reserves.

The "Plan assets" are those assets that will be used directly to settle the obligations and meet the following conditions:

- They are not held by the consolidated entities, but by a legally separate entity that is not a related party of the Group.
- They are available to be used only to pay or fund post-employment benefits, and are not available to the Group's own creditors (even in bankruptcy).
- They cannot be returned to the consolidated entities unless the remaining assets of the Plan are sufficient to meet all the related employee benefit obligations of the Plan or the entity with current or former employees, or they are returned to the Group to reimburse it for employee benefits already paid.
- They are not non-transferable financial instruments by the Group.

Defined-benefit plans are recognised as follows:

a. Actuarial gains and losses arising in the year from changes in financial-actuarial assumptions or differences between assumptions and what actually occurred are recognised immediately in the period in which they arise directly under "Other recognised income and expense" in the consolidated statement of recognised income and expense. These amounts may not be reclassified to profit or loss in a subsequent period.

b. Current service cost, understood to be the increase in the present value of the obligations resulting from employee service in the current period, and past service cost, which is the change in existing post-employment benefits or the introduction of new benefits, are recognised fully in the consolidated income statement under "Staff costs - Provisions and other staff costs".

c. The interest cost of the obligation and expected return on plan assets are determined as a net interest amount by multiplying the defined benefit liability (asset) by the discount rate at the beginning of the year and recognised under "Finance cost – Provision adjustments".

The defined benefit post-employment obligations held by the Group include:

- Retirement bonus commitments in connection with the obligation undertaken by certain Group companies to pay a bonus to employees who leave the company after a specific age (60-65) to retire.

  The Group externalised its retirement bonus commitments in 2006. The vehicle used by the Group was an insurance policy written with Aegón España, S.A. de Seguros y Reaseguros.

- Health benefit commitments, understood as the obligation, restricted to a specific number of Group employees, to take out health insurance to supplement the social security medical coverage. The policy covers current employees and their beneficiaries, defined as those entitled to health care under the state Social Security scheme under the same social security number as the employee, as regulated by prevailing social security legislation, and those retiring after this agreement comes into effect and their beneficiaries (as defined above, plus those becoming widows/widowers and orphans after the agreement comes into effect that are also stipulated beneficiaries of the policy holder).

ii. Other long-term employee benefits

Other long-term employee benefits, including the obligation entered into by certain Group companies to pay a bonus for good conduct and outstanding employee loyalty, as reflected in the number of years of ongoing service, after 25, 30, 35 and 45 years of effective service, are recognised, where applicable, as described above for defined benefit post-employment plans, except that the actuarial gains and losses are recognised in the consolidated income statement under "Staff costs - Wages, salaries and similar expenses".

l) Termination benefits

In accordance with current legislation, the Group is required to pay termination benefits to any employee whose employment is terminated without due cause. The Group recognised under "Staff costs – Wages, salaries and similar expenses" on the consolidated income statement the expense incurred corresponding to the incentive-based redundancy plan approved by the Group's Directors in 2018, which was restricted to a reduced group of employees that met specific characteristics. The amounts outstanding are detailed, where relevant, on the liabilities side of the balance sheet at the close of the financial year under "Other long-term employee benefits" (Note 13). There was no detailed redundancy plan warranting recognition of a provision in this connection at 31 December 2018 and 2017 except for the abovementioned incentive-based plan.

m) Share-based remuneration schemes

The delivery of own equity instruments (shares) to employees as consideration for their services when these are delivered after a defined service period is recognised as a service cost (with a corresponding increase in equity) as the employees provide their services over the period. At the grant date, the services received (and the corresponding increase in equity) are measured at the fair value of the equity instruments granted. If the equity instruments vest immediately, the full amount of the grant-date fair value is expensed immediately. When the performance conditions of the payment arrangement include external market-based performance features (e.g., achieving a specified price in the equity instruments granted), the amount ultimately recognised in equity depends on the degree of achievement of the other performance conditions, regardless of whether the market conditions stipulated have been met. If the conditions of the agreement are met, but the market conditions are not, the amounts previously recognised in equity are not reversed, even when employees do not exercise their rights to receive the equity instruments (Note 19-c).

n) Recognition of revenue and expense

The paragraphs below summarise the most significant criteria applied by the Group to recognise revenue and expense:

i. Revenue

In material terms, all income recognised by the Group corresponds to income originating from contracts with customers. Generally speaking, revenue is recognised when the obligations of execution are satisfied through the transfer of a promised good or service (i.e. an asset) to a customer, irrespective of the moment at which the monetary or financial flow derives therefrom. An asset is transferred when, or to the extent that, the customer obtains control thereof. Income is measured at the fair value of the consideration received, less any discounts and taxes.

The execution obligations of the services provided by the Group are satisfied at a specific moment or over time, and the contracts do not have significant financing components, relevant variable considerations, nor return or repayment obligations. Likewise, the costs incurred for obtaining the contracts for customers were evaluated and were deemed immaterial. In respect of the ordinary income recognised in the financial year resulting from the execution obligations satisfied in previous years, those relating to recognised contract liabilities were recognised in the financial year, with there being no income due to changes in the transaction prices.

Below follows a summary of the criteria applied by the Group to recognise the most significant revenue:

- Execution obligations satisfied at a specific moment: revenue is recognised in the consolidated income statement at the moment in which the execution obligation is considered satisfied with the customer. To determine the specific moment at which an execution obligation is satisfied, the Group considers when the transfer of the promised good or service is carried out and it has an unconditional right to a consideration. The Group bills certain goods or services at the specific moment in which the execution obligation is satisfied or with a defined periodicity (typically monthly), recognising an account receivable that represents an unconditional right to a consideration that only requires the passage of time for the payment of this consideration to be enforceable. Once the execution obligation is satisfied, there is no longer a contract liability to recognise on the consolidated balance sheet.
- Execution obligations satisfied over the long-term: the Group transfers the control of a good or service promised over the long-term and, therefore, satisfies an execution obligation and recognises the revenue in the consolidated income statement over the long-term. To determine the period during which an execution obligation is satisfied, the Group considers the established execution periods for the transfer of the promised good or service and the existence of an unconditional right to a consideration. For practical purposes, when the promised services are provided over a specific time, the income can be recognised in the consolidated income statement linearly during the agreed time interval, or they can be recognised according to the degree of performance of the provision of the service promised at the date of the consolidated balance sheet, provided that this can be reliably estimated. In both cases, the Group bills the good or service promised according that agreed in the contract, recognising an account receivable that represents an unconditional right to a consideration that only requires the passage of time for the payment of this consideration to be enforceable. In turn, these execution obligations can be satisfied as indicated below:
  - During the accounting period: Once the execution obligation is satisfied at the end of the accounting period, there is no longer a contract liability pending recognition in profit and loss for this already satisfied service.
  - During several accounting periods: The execution obligation is satisfied over several accounting periods, therefore, at the end of the period, there is a contract liability pending recognition in profit and loss for this partially satisfied service.

Below follows a summary of the most significant types of revenues of the Group, by business unit (Note 17):

Equities

Revenue from the rendering of services for access, trading, admission of securities to trading and ongoing listing, are recognised in the consolidated income statement according to the fees and rates applicable in the corresponding financial year, as published in the stock market listing bulletins and circulars of the multilateral trading facilities and other market infrastructures (Appendix I).

- Revenue from "Access charges for infrastructures and other facilities" includes revenue

from fees for the access and ongoing listing on infrastructures as well as revenue for the registration and continued membership of market members. The Group bills these fees monthly and/or quarterly and they correspond to the execution obligations satisfied in the long-term, during the accounting period.

- The revenue from "Trading" corresponds to the fees applied to each purchase or sale transaction of securities traded on the market. The Group bills these fees monthly and this corresponds to the execution obligations satisfied at a specific moment.
- Revenue from the "Ongoing listing" fee includes the annual fee payable by market securities issuers in order to remain listed. The Group bills these services at the beginning of each calendar year or at the time securities are issued in the case of the first admission to trading. This corresponds to the execution obligations satisfied in the long-term, during the accounting period.
- Revenue from "Admission of securities to trading" mostly corresponds to the services rendered by the Group to the issuers relating to the admission rights of securities to trading on the market. The Group bills these services the moment the securities are admitted. This corresponds to the execution obligations satisfied in the long-term, during several accounting periods.

  The execution obligation is satisfied during the estimated period during which the securities issued by the issuer are traded on the markets managed by the BME Group, which are generally estimated over a period of 8 years for securities traded on the Continuous Market and on the Alternative Equity Market (MAB).

Derivatives

Revenue from the access and trading services of financial derivative products and electricity derivative instruments are recognised in the consolidated income statement for the period in line with the fees applicable for the corresponding period, as established by the MEFF Sociedad Rectora del Mercado de Productos Derivados (Appendix I).

- Revenue from "Trading" includes fees for trading in stock options and futures and IBEX 35® options and futures as well as energy derivatives. The Group bills these services monthly and this corresponds to the execution obligations satisfied at a specific moment.
- Revenue from "Access charges for infrastructures and other facilities" corresponds to the connection charges, which cover the costs associated with the management of the communications network for standard installations, as well as the revenue from the leasing of IT equipment (MEFF terminals) by the Group to different entities. The Group bills these services at the start of the calendar quarter and this corresponds to the execution obligations satisfied in the long-term, during the accounting period.

Fixed Income

Revenue from the rendering of services for access, trading, admission of fixed-income issues to the different BME fined-income markets (Appendix I) are recognised in the consolidated income statement according to the fees and rates applicable in the corresponding financial year, as published in the BME Fixed-Income general information bulletin (Appendix I).

- Revenue from "Access charges for infrastructures and other facilities" includes revenue from fees for the access and ongoing listing on infrastructures as well as revenue for the registration and continued membership of market members. The Group bills these fees monthly and/or quarterly and they correspond to the execution obligations satisfied in the long-term, during the accounting period.
- Revenue from "Trading" corresponds to the fees applied to each purchase or sale transaction of issues traded in BME fixed-income. The Group bills these fees monthly and this corresponds to the execution obligations satisfied at a specific moment.
- Revenue from "Admission of fixed-income issues to trading" mostly corresponds to the services rendered by the Group to the issuers relating to the admission rights of the fixed-income issues for trading on the different BME fixed-income markets. The Group bills these fees monthly and this corresponds to the execution obligations satisfied in the long-term, over several accounting periods.

  The execution obligation is satisfied during the estimated period during which the fixed-income issues are traded on the markets managed by the BME Group, which are generally estimated over a period of 6 years.

Settlement and Registration

Revenue from the rendering of settlement and registration services is recognised in the consolidated income statement in accordance with the tariffs applicable for the corresponding period, as published in the respective IBERCLEAR circulars (Appendix I).

- Revenue from "Registration and services rendered to issuers" includes, inter alia, revenue accrued due to fees charged to market participants for the registration of fixed income trades (Book-entry Government Debt securities and AIAF Fixed-income Market securities) and equities. The Group bills these fees monthly and this corresponds to the execution obligations satisfied at a specific moment.
- Revenue from "Settlement" which includes fees charged by the Group for settlement activities of fixed-income trades (Book-entry Government Debt securities and AIAF Fixed-income Market securities) and equities, as well as the revenue accrued due to the transfer of the costs resulting from the application of the T2S tariffs to the settlement participants. The Group bills these fees monthly and this corresponds to the execution obligations satisfied at a specific moment.

Clearing

Revenue from the rendering of clearing services is recognised in the consolidated income statement for the period in accordance with the tariffs established by BME Clearing applicable for the corresponding period (Appendix I).

- Revenue from "Access charges for infrastructures and other facilities" includes the general membership fee and the fees for membership to the various contract groups, as well as fees for inclusion as clearing member, where appropriate. The Group bills these fees monthly and/or quarterly and this corresponds to the execution obligations satisfied in the long-term, during the accounting period.
- Revenue from "Clearing, and central counterparty" includes income accrued from the fees received by the Group for the settlement and clearing of equity futures and options and IBEX 35® index and other index futures and options, and the settlement and clearing of fixed income security transactions and clearing equity security transactions in the central counterparty, OTC interest-rate derivatives, energy derivatives and the maintenance of positions in all segments. This item also includes income from transfers and the creation and release of pledges on securities. The Group bills these services monthly and/or quarterly and this corresponds to the execution obligations satisfied in the long-term, during the accounting period.

Market Data & VAS

Revenue from primary information services and those relating to added value services such as the sale of market solutions, financial information services and access to markets, are recognised in the consolidated income statement for the period according to the fees applicable during the corresponding period, as established, for the most part, by Bolsas y Mercados Españoles Market Data (Appendix I) and the BME Inntech Group (Appendix I).

- Revenue from "Information" includes the revenue from the dissemination activity of the primary source of information, the tariffs of which vary depending on the level of information and comprise a fixed charge (connection, use and distribution charges) and a variable charge depending on the number of users of the information. The Group bills these services monthly and quarterly, respectively, and this corresponds to the execution obligations satisfied in the long-term, during the accounting period.
- Revenue from "Added value services" mostly includes revenue from:

  a. Financial information services and others, corresponding to the services for the supply of information to a variety of customers, whether agencies or of any other nature. This information relates to the trading prices of securities, both historic and in real time, market performance, as well as other general and financial news. The Group bills these services monthly, quarterly or annually, depending on the customer, and this corresponds to the execution obligations satisfied in the long-term, during the accounting period.

  b. Access services to other trading systems (international markets) and proximity services to the Group's systems, as well as revenue obtained from contingency services and financial communication services. The Group bills these fees monthly and these correspond to the execution obligations satisfied in the long-term, over the accounting period.

  c. Tools for the assessment and management of portfolios relating to the supply of solutions for Wealth Management developed by the Group and their integration with the customer's backoffice. The Group recognises this revenue in the consolidated income statement taking into account the degree of performance of the service rendered at the date of the consolidated balance sheet. The Group bills these services according to the billing schedule agreed with the customer. This corresponds to the execution obligations satisfied in the long-term, during the accounting period or over several accounting periods.

d. Consultancy and system sales. The Group bills these services according to the billing schedule agreed with the customer. This corresponds to the execution obligations satisfied in the long-term, during the accounting period or over several accounting periods.

e. Regulatory services that help customers to comply with the various regulatory obligations established by the financial sector regulators through the use the Group's different regulatory compliance platforms. The Group bills these fees monthly and these correspond to the execution obligations satisfied in the long-term, over the accounting period.

ii. Variable direct cost of transactions

Incremental expenses directly attributable to the provision of a service, such as expenses depending on trading or settlement volumes, to revenue distribution agreements and sources of information acquired are recognised in this item on an accrual basis and corresponding to the transactions to which they are directly related.

iii. Non-finance income and costs

Income and costs are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

iv. Finance income and costs

BME Clearing, S.A. - Sociedad Unipersonal earns finance income from its clearing house activities and interest income on the funds held in guarantee for market members (Note 7) recognised with a credit (charge in the case of a negative return) to "Finance income – From marketable securities and other financial instruments" and a charge (credit in the case of a negative return) to "Finance cost – Guarantees received from participants", respectively, on the consolidated income statements (Notes 7 and 21). Similarly, when the funds provided are deposited with Banco de España, the penalty corresponding to the negative interest rate of the deposit facility charge to BME Clearing, S.A. - Sociedad Unipersonal by Banco de España recognised as a charge to "Finance cost – Guarantees received from participants" and the transfer of this cost to the members with a credit to "Finance income – From marketable securities and other financial instruments" on the consolidated income statement (Notes 7 and 21). Similarly, in 2017, MEFF Tecnología y Servicios, S.A.U. began to pass on to the members of the electricity market the negative returns obtained through the investment of the guarantees received from said members, recognising these as a charge to "Finance income – From marketable securities and other financial instruments" and a credit to "Finance cost – Guarantees received from participants", respectively, on the consolidated income statements (Notes 7 and 21).

o) Offsetting

Financial assets and liabilities are offset, i.e., reported in the consolidated balance sheet at their net amount, only if the entities have a legally enforceable right to offset the amounts of such instruments and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

p) Income tax

Income tax expense is recognised on the consolidated income statement, except when it results from a transaction recognised directly in equity, in which case the tax effect is also recognised in equity, or from a business combination, in which case the deferred tax is recognised as an asset thereof.

Current income tax is calculated as the amount payable for taxable profit for the year adjusted for any changes in recognised deferred tax assets and liabilities from temporary differences, tax credits and relief and tax loss carryforwards.

A temporary difference is deemed to exist when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group vis-à-vis the related tax authorities. A deductible temporary difference is one that will generate for the Group a future claim for the recovery of taxes paid or a reduction in the amount payable to the pertinent tax authorities in the future.

Unused tax credits and tax losses are amounts that, after the performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met and it is probable that the Group will use them in future periods.

Current tax assets and liabilities are taxes expected to be recovered from or paid to the tax authorities within 12 months from the date of recognition. Deferred tax assets and liabilities are amounts of income taxes expected to be recovered from or paid to the tax authorities in future periods.

On 16 February 2016, the Spanish Accounting and Auditing Institute's Resolution of 9 February 2016, was published in the Official State Gazette (BOE), implementing the policies, measurement bases and preparation criteria for financial statements to account for income tax. The Resolution governs the regulatory implementation of the recognition and measurement criteria established in the General Accounting Plan and replaces previous resolutions issued by the ICAC on this subject.

It introduces various amendments such as a review of the criteria for recognising deferred tax assets, whereby the limit on not activating tax loss carryforwards or other tax assets expected to be recovered in more than ten years from the end of the period is eliminated, or deferred tax liabilities relating to the deductibility of impairment losses on goodwill and their systematic amortisation. The Resolution also clarifies the criteria to follow in accounting for income tax expense in the separate financial statements of the companies that pay taxes under a special tax regime, independently of the agreements in place between Group companies for sharing the tax burden. The Group's policy with regard to the distribution of consolidated income tax is to allocate the consolidated income tax payable on a proportional basis to each company's taxable income. Therefore, the Resolution has not had a material impact on the Group.

Deferred tax liabilities are recognised for all significant taxable temporary differences. The Group only recognises deferred tax assets arising from deductible temporary differences, the carryforward of unused tax credits and unused tax losses when the following conditions are met:

- Deferred tax assets are only recognised to the extent that it is probable that the consolidated entities will generate future taxable profit against which they can be utilised, and
- The unused tax losses result from identifiable causes which are unlikely to recur.

Royal Decree-Law 3/2016 of 2 December was published on 3 December 2016, adopting tax measures aimed at consolidating public finances and other urgent measures in the social domain. In regard to Income Tax, this Royal Decree includes the following measures, applicable for years beginning on or after 1 January 2016:

- Restriction on the use of tax loss carryforwards: The use of tax loss carryforwards from previous years for large companies (with turnover of more than €60 million) is limited to 25% of taxable income.
- Limits on deductions for double-taxation: A new limit is established for deductions on international or domestic double taxation, generated or pending application, of 50% of the full amount for companies with a net turnover of at least €20 million.
- Reversal of impairment losses on investments: The reversal of impairment losses on investments that were tax deductible in tax periods prior to 2013 must be performed linearly over five years, as a minimum requirement.

As a result of this measure, in 2018 and 2017 the Group has reversed tax deductible impairments (see Note 16).

Deferred tax assets and liabilities arising on the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affect neither accounting profit nor taxable profit or loss, are not recognised.

The carrying amounts of recognised deferred tax assets and liabilities are reviewed at each reporting date in order to ascertain if they still exist and to evaluate the reasonableness of their recoverability in the corresponding time frame and they are adjusted as appropriate based on the outcome of the analysis performed.

Bolsas y Mercados Españoles files consolidated tax returns for the tax group of which it is the Parent.

q) Foreign currency transactions

The Group's functional currency is the euro. Consequently, all non-euro balances and transactions are considered foreign currency balances and transactions.

Foreign currency transactions carried out by consolidated companies are initially recognised in their respective financial statements at countervalue of their functional currency, applying the exchange rates in force on the corresponding transaction dates. In general, foreign currency balances were converted to euros at the average official market spot exchange rates prevailing at each year-end.

Exchange differences arising on translating foreign currency balances into the consolidated companies' functional currency (in all instances, the euro) are generally recognised at their net amount in the consolidated income statement under "Exchange differences" (Note 21), except for exchange differences arising on financial instruments at fair value through profit and loss, which are recognised, without separate presentation, in the consolidated income statement together with other fair value changes.

At 31 December 2018 and 2017, the Group's exposure to exchange rate risk was not material. Accordingly, the impact on the Group's consolidated equity and consolidated income statement of an appreciation or depreciation of exchange rates of other currencies relative to the euro would not be material.

r) Accounting for operating leases

Under operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset.

When the consolidated entities act as lessee, lease expenses, including any incentives granted by the lessor, are charged to "Other operating costs – External services" in the consolidated income statement on a linear basis (Note 20).

s) Consolidated statement of cash flows

The following terms are used on the consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investment activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities are activities that result in changes to the size and composition of equity and borrowings of the entity.

For the purposes of presenting the cash flows from investing activities, collections and payments from financial assets with a high turnover are presented in the statement of cash flows.

For the purposes of drawing up the consolidated statement of cash flows, "Cash and cash equivalents" are understood to be short-term highly liquid investments that are subject to an insignificant risk of changes in value, and which do not entail the realisation of guarantees received from participants, without taking into account the financial instruments for which BME Clearing, S.A. - Sociedad Unipersonal acts as central counterparty (CCP), the realisation of cash withheld for unsettled operations, or receivables (payables) for the settlement of daily trading in options and futures, and cash receivables (payables) for settlement.

t) Consolidated statement of recognised income and expense

The "Consolidated statement of recognised income and expenses" shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in the consolidated income statement for the year and other income and expense that, as required under current regulations, are recognised directly in consolidated equity (other comprehensive income). This financial statement therefore presents:

a. Consolidated income for the year.

b. The net amount of the income and expense recognised as other comprehensive income which is not reclassified in profit (loss).

c. The net amount of the income and expense recognised as other comprehensive income which may be reclassified in profit (loss).

d. The tax effects of a), b) and c) above, except in relation to impairment losses on investments in other comprehensive income originating from interests in associates or joint ventures consolidated using the equity method, which are presented on a net basis.

e. The total Comprehensive income for the period, calculated as the sum of (a) through (d) above, showing separately the total amounts attributable to equity holders of the parent and to non-controlling interests.

Any items of income and expense recognised directly in equity in connection with investments in entities consolidated using the equity method are presented net of tax under "Share in other recognised comprehensive income from investments in joint ventures and associates".

u) Statement of changes in total equity

These statements show all changes in equity, including the effects of changes in accounting policies and corrections of errors. These statements accordingly present a reconciliation between the carrying amount of each component of consolidated equity at the beginning and the end of the period, separately disclosing each change into the following headings:

a. Adjustments for changes in accounting criteria and adjustments for errors: include any changes in consolidated equity arising from the retrospective restatement of financial statement balances due to changes in accounting criteria or for the correction of errors.

b. Total recognised income and expense: comprises an aggregate of all the aforementioned items recognised in the statement of recognised income and expense.

c. Transactions with shareholders: changes in equity due to dividend payments, capital increases (decreases), share-based payments, etc.

d. Other changes in equity: other items recognised in equity, such as distribution of profit, transfers between equity items and any other increase or decrease in consolidated equity.

3. Distribution of Bolsas y Mercados Españoles' profit and earnings per share

a) Distribution of the Company's profit

The proposed distribution of the profit of Bolsas y Mercados Españoles, the Group's parent company, for 2018 and 2017 is as follows:

	Thousands of euros	
	2018	**2017 (**)**
Dividends:		
Interim	83,078	83,133
Complementary	47,317	64,819
Voluntary reserves	2,630	481
Profit for the year of Bolsas y Mercados Españoles (*)	**133,025**	**148,433**

(*) Profit obtained by the Parent company, as stated in its separate financial statements for 2018 and 2017. This profit measure constitutes the basis of distribution under prevailing Spanish legislation.
(**) At 26 April 2018, the proposed distribution of 2017 profit was ratified at the General Shareholders' Meeting without modification.

At its meetings on 26 July 2018 and 19 December 2018, the Board of Directors of Bolsas y Mercados Españoles, agreed to distribute two interim dividends from 2018 profit in the amount of €33,261 thousand and €49,817 thousand, respectively, recognised under "Interim dividend", with a reduction to "Equity" in the consolidated balance sheet at 31 December 2018 (Note 11). At that date, both dividends had been fully paid.

At its meetings on 27 July 2017 and 20 December 2017, the Board of Directors of Bolsas y Mercados Españoles, agreed to distribute two interim dividends from 2017 profit in the amount of €33,257 thousand and €49,876 thousand, respectively, recognised under "Interim dividend", with a reduction to "Equity" in the consolidated balance sheet at 31 December 2017 (Note 11). At that date, both dividends had been fully paid.

The provisional financial statements which, in accordance with the provisions of Article 277 of the consolidated text of the Spanish Corporate Enterprises Act, were prepared by the Board of Directors of Bolsas y Mercados Españoles, on the dates indicated, confirming the existence of sufficient liquidity to pay the interim dividends, is as follows:

	Thousands of euros	
	25-07-2018	**18-12-2018**
Profit for the year available at the dividend date (*)	**68,731**	**123,903**
Interim dividend paid in the year	-	(33,261)
Amount available for distribution	**68,731**	**90,642**
Available liquidity	**51,209**	**69,893**
Interim dividend	(33,261)	(49,817)
Retained earnings	**17,948**	**20,076**

(*) From the separate financial statements of Bolsas y Mercados Españoles.

	Thousands of euros	
	25-07-2017	**19-12-2017**
Profit for the year available at the dividend date (*)	**79,714**	**143,848**
Interim dividend paid in the year	-	(33,257)
Amount available for distribution	**79,714**	**110,591**
Available liquidity	**49,007**	**94,793**
Interim dividend	(33,257)	(49,876)
Retained earnings	**15,750**	**44,917**

(*) From the separate financial statements of Bolsas y Mercados Españoles.

b) Earnings per share from continuing and discontinued operations

i. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	2018	2017
Net profit for the year attributable to owners of the Parent (thousands of euros)	136,288	153,319
Weighted average number of outstanding shares	83,118,670	83,119,737
Conversion of convertible debt	-	-
Adjusted number of shares	83,118,670	83,119,737
Basic earnings per share (euros)	**1.64**	**1.84**

ii. Diluted earnings per share

Diluted earnings per share is calculated by adjusting both profit for the year attributable to ordinary equity holders and the weighted average number of ordinary outstanding shares, net of treasury shares, for all the effects of dilutive potential ordinary shares.

Accordingly:

	2018	2017
Net profit for the year attributable to owners of the Parent (thousands of euros)	136,288	153,319
Weighted average number of outstanding shares	83,118,670	83,119,737
Conversion of convertible debt	-	-
Dilutive effect of Share-based Variable Remuneration Plans (Note 19-c)	500,292	510,195
Adjusted number of shares	83,618,962	83,692,932
Diluted earnings per share (euros)	**1.63**	**1.83**

At 31 December 2018 and 2017, there were dilutive ordinary shares resulting from the 2014-2019, 2017-2020 and 2018-2023 Share-based Variable Remuneration Plans in effect (see Note 19-c) and approved by the Ordinary General Shareholders' Meeting of BME on 30 April 2014, 27 April 2017 and 26 April 2018, respectively, as detailed below:

Maximum number of shares	31/12/2018	31/12/2017
Share-based Variable Remuneration Plans:		
2014-2019 Plan	186,213 (3)	354,846 (1)
2017-2020 Plan	155,349 (2)	155,349 (2)
2018-2023 Plan	158,730 (4)	-
	500,292	**510.195**

(1) The maximum number of theoretical shares at 31 December 2017 for the 2014-2019 Plan was calculated on the basis of 112,422 units allocated to the second three-year period and 124,142 units for the third three-year period. In 2017, 88,713 dilutive shares were disposed of, corresponding to the final number of (gross) shares delivered as implementation of the third three-year period of the 2014-2019 Plan expiring on 31 December 2016 and settled in June 2017 (see Note 19-c).

(2) The maximum number of theoretical shares at 31 December 2017 for the 2017-2020 Plan was calculated on the basis of 103,566 units allocated to the last three-year period.

(3) The maximum number of shares estimated for the third three-year period of the 2014 – 2019 Plan, was calculated on the basis of 124,142 assigned units. In 2018, 84,286 dilutive shares were disposed of, corresponding to the final number of (gross) shares delivered as implementation of the second three-year period of the 2014-2019 Plan expiring on 31 December 2017 and settled in June 2018 (see Note 19-c).

(4) The maximum number of shares estimated for the first three-year period of the 2018 – 2023 Plan, was calculated on the basis of 105,820 assigned units.

4. Remuneration and other benefits of Bolsas y Mercados Españoles' Board of Directors and Senior Management

a) Director Remuneration

In 2018, the Board of Directors determined the per diems and fixed remuneration paid to members of the Board of Bolsas y Mercados Españoles in their capacity as such during 2018, within the maximum amount of annual remuneration to be received by Directors in their capacity as such, approved by the General Shareholders' Meeting on 28 April 2016 and in accordance with the Directors' remuneration policy.

In 2017, the Board of Directors approved the per diems and fixed remuneration paid to members of the Board of Bolsas y Mercados Españoles in their capacity as such during 2017, within the maximum amount of annual remuneration to be received by Directors in their capacity as such, approved by the General Shareholders' Meeting on 28 April 2016 and in accordance with the Directors' remuneration policy.

In 2018 and 2017, serving and former members of the Board of Directors of Bolsas y Mercados Españoles accrued the following gross amounts for sitting on the boards of Bolsas y Mercados Españoles and of other Group companies:

	Thousands of euros									
	Per diems		Bylaw-stipulated fixed remuneration [18]		Variable Remuneration		Other items		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Antonio Zoido Martínez [1]	70	70	732	732	313 [2]	413 [3]	-	-	1,115	1,215
Javier Hernani Burzako [5]	18	12	550	329	214 [2]	282 [3]	-	-	782	623
Ignacio Garralda Ruiz de Velasco	26	14	50	30	-	-	-	-	76	44
David María Jiménez-Blanco Carrillo de Albornoz [6]	17	-	70	-	-	-	-	-	87	-
Margarita Prat Rodrigo [7]	19	44	-	30	-	-	-	-	19	74
Manuel Olivencia Ruiz [8]	-	52	-	50	-	-	-	-	-	102
María Helena dos Santos Fernandes de Santana	11	14	50	30	-	-	-	-	61	44
Álvaro Cuervo García [9]	37	56	-	30	-	-	-	-	37	86
Carlos Fernández González [10]	17	50	-	30	-	-	20 [14]	60	37	140
Ana Isabel Fernández Álvarez [11]	22	-	44	-	-	-	-	-	66	-
Joan Hortalá i Arau [12]	90	99	279	259	48 [4]	49 [4]	-	-	417	407
Karel Lannoo [13]	9	24	-	30	-	-	-	-	9	54
Juan March Juan	36	37	50	30	-	-	-	-	86	67
Isabel Martín Castellá [15]	15	-	44	-	-	-	-	-	59	-
Santos Martínez-Conde y Gutiérrez-Barquín	30	42	50	30	-	-	-	-	80	72
Juan Carlos Ureta Domingo [16]	21	-	50	-	-	-	-	-	71	-
Ramiro Mato García Ansorena [17]	-	21	-	30	-	-	-	-	-	51
Total	**438**	**535**	**1,969**	**1,640**	**575**	**744**	**20**	**60**	**3,002**	**2,979**

(1) The remuneration of Mr Zoido Martínez corresponds to the fixed remuneration established in connection with his executive functions.
(2) Amount of variable remuneration in 2018 to be paid in 2019.
(3) Amount of variable remuneration for 2017 paid in 2018.
(4) Amount estimated and amount paid corresponding to the variable remuneration for 2018 which will be received in 2019 and for 2017 which was received in 2018.
(5) Mr Hernani Burzako was appointed Chief Executive Officer on 27 April 2017. The fixed remuneration for 2017 includes both the bylaw stipulated remuneration in his capacity as Director as well as the fixed remuneration received since his appointment as Chief Executive Officer in connection with his executive functions.
(6) Mr Jiménez-Blanco Carrillo de Albornoz was appointed Director and Lead Director, Member of the Executive Committee and Chairman of the Appointments and Remuneration Committee on 26 April 2018. He received a fixed allocation of €20 thousand for the performance of the duties attributed to the role of Lead Director in addition to the fixed allocation as Director, in accordance with the Directors' Remuneration Policy.
(7) Ms Prat Rodrigo stood down as Director, Member of the Executive Committee and Chairperson of the Audit Committee on 26 April 2018.
(8) Mr Olivencia Ruiz passed away on 1 January 2018. In 2017 he received a fixed allocation of €20 thousand for the performance of the duties attributed to the role of Lead Director in addition to the fixed allocation received as member of the board, in accordance with the Directors' Remuneration Policy.
(9) Mr Cuervo García stood down as Director, Member of the Executive Committee, Member of the Audit Committee and Chairman of the Appointments and Remuneration Committee on 26 April 2018.
(10) Mr Fernández González stood down as Director and Member of the Appointments and Remuneration Committee on 26 April 2018.
(11) Ms Fernández Álvarez was appointed as Director, Member of the Executive Committee and Chairperson of the Audit Committee on 26 April 2018.
(12) The remuneration corresponding to Mr Hortalá i Arau also includes the bylaw stipulated remuneration in his capacity as director as well as the fixed and variable remuneration received in connection to his executive functions at Sociedad Rectora de la Bolsa de Valores de Barcelona.
(13) Mr Lannoo stood down as Director and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018.
(14) The amount received up until 26 April 2018 when standing down as Director of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., due to HIS/HER role as Investor Ombudsman of the Madrid Stock Exchange.
(15) Ms Martín Castellá was appointed as Director, and Member of the Audit Committee on 26 April 2018.
(16) Mr Ureta Domingo was appointed as Director, Member of the Appointments and Remuneration Committee and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018.
(17) Mr Mato García Ansorena stood down as Director and Member of the Audit Committee on 27 September 2017.
(18) Fixed emoluments per Director: Directors shall receive €50,000 when they have attended at least eight meetings of the Board of Directors over the course of the year or the corresponding proportional part depending on the date of their appointment as Director.

The General Shareholders' Meeting held on 27 April 2017 agreed to establish the number of members that form the Board of Directors at thirteen, within the minimum and maximum number set forth in article 26, section 1 of the bylaws, proceeding to appoint Javier Hernani Burzako as Executive Director. The amendments to the Directors' Remuneration Policy were also approved.

At its meetings on 28 May 2018 and 24 May 2017, the Board of Directors adopted the resolution establishing the amounts of the remuneration corresponding to Directors of the Company acting as such, the fixed emoluments and per diems for attending meetings of the Board of Directors and its delegated committees during 2018 and 2017, respectively, as well as the amount of the fixed remuneration of the Chairperson and Chief Executive Officer and the variable remuneration system of the Chairperson and the Chief Executive Officer corresponding to both periods, which accrue prior to the close of each period, the foregoing in accordance with the Company's Remuneration Policy. From 2016, the criteria taken into account for the calculation of the Chairman's variable remuneration are his ordinary variable remuneration in the prior year and the degree of compliance with quantitative (performance of consolidated EBITDA) and qualitative variables.

Mr Joan Hortalá i Arau accrued an estimated €48 thousand in variable remuneration in 2018 (€49 thousand in 2017), which may be submitted for approval by the Board of the Barcelona stock exchange management company.

b) Other director benefits

The theoretical maximum number of shares in Bolsas y Mercados Españoles, where applicable, for the Executive Directors of Bolsas y Mercados Españoles who are beneficiaries of the prevailing Share-based Variable Remuneration Plans 2014-2019, 2017-2020 and 2018-2023, hereinafter, the "Plans" (see Note 19-c), was set, for the Plans overall, at 90,548 shares for the 2014-2019 Plan, corresponding to 60,365 units allocated, 36,804 shares for the 2017-2020 Plan, corresponding to 24,536 units allocated and 118,908 shares for the 2018-2023 Plan, as detailed below:

	MAXIMUM NUMBER OF THEORETICAL SHARES [1]		
Share-based Variable Remuneration Plans:	**First three-year period**	**Second three-year period**	**Third three-year period**
2014-2019 Plan:			
Antonio Zoido Martínez	26,664 [2]	25,267 [3]	31,694
Joan Hortalá i Arau	2,287 [2]	2,056 [3]	2,580
	28,951 [2]	**27,323 [3]**	**34,274**
2017-2020 Plan:			
Antonio Zoido Martínez	24,051	-	-
Joan Hortalá i Arau	2,550	-	-
Javier Hernani Burzako	10,203	-	-
	36,804	**-**	**-**
2018-2023 Plan:			
Antonio Zoido Martínez	22,573	-	-
Joan Hortalá i Arau	3,364	-	-
Javier Hernani Burzako	13,699	-	-
	39,636	**-**	**-**

(1) Based on units assigned, although the maximum number of shares attributable, as agreed by the respective General Meetings, where applicable, under the entire 2014-2019 Plan, 2017-2020 Plan and 2018-2023 Plan, is 79,992 shares, 24,067 shares and 22,573 shares to Antonio Zoido Martínez and 6,894 shares, 2,550 shares and 3,364 shares to Joan Hortalá i Arau, respectively. After his appointment by the General Shareholders' Meeting in 2017, the maximum number of shares attributable to Javier Hernanai Burzako under the 2017-2020 Plan and the 2018-2023 Plan total 10,203 shares and 13,699 shares, respectively.

(2) In the first half of 2017, fulfilment of the objectives as well as the definitive coefficients to be applied to the third three-year period of the 2014-2019 Plan, expiring on 31 December 2016, was reviewed, and the definitive number of shares to be delivered to Mr Antonio Zoido Martínez and Mr Joan Hortalá i Arau was set at 13,332 shares and 1,143 shares, respectively. In June 2017, the Plan was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 7,435 shares and 670 shares, respectively.

(3) In the first half of 2018, fulfilment of the objectives as well as the definitive coefficients to be applied to the second three-year period of the 2014-2019 Plan, expiring on 31 December 2017, was reviewed, establishing the definitive number of shares to be attributed to Antonio Ziodo Martínez, Joan Hortalá i Arau and Javier Hernani Burzako at 12,633 shares, 1,028 shares and 5,154 shares, respectively. In June 2018, the Plan was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 7,037 shares, 668 shares and 2,993 shares, respectively.

At 31 December 2018 and 2017, there were no other post-employment benefits or long-term benefits extended to former or serving members of the Board of Directors of Bolsas y Mercados Españoles nor any pension or life insurance obligations, except for those at 31 December 2018 and 31 December 2017 relating to the Chief Executive Officer, with contributions having been made in 2018 for the amount of €59 thousand and €10 thousand in relation to the annual contribution for 2017 to the welfare scheme with Aegón España, S.A. de Seguros y Reaseguros and life-insurance and health care policy, respectively (contributions for the amount of €11 thousand and €3 thousand in relation to the annual contribution for 2017 to the welfare scheme with Aegón España, S.A. de Seguros y Reaseguros and life-insurance and health care policy, respectively).

c) Loans

At 31 December 2018 and 2017, no loans or advances had been extended to former or serving members of the Board of Directors of Bolsas y Mercados Españoles.

d) Senior management

For the purposes of preparing these consolidated financial statements, 9 persons were considered to be members of the Senior Management of Bolsas y Mercados Españoles at 31 December 2018 and 2017, including the Head of Internal Audit for both periods. In 2017, a member of the Senior Management became Chief Executive Officer, one member stood down and three new members were appointed to the Senior Management. The figures shown below include the remuneration paid to these members until their retirement.

Remuneration accrued to these executives in 2018 and 2017 amounted to €2,964 thousand and €3,176 thousand, respectively recognised under "Staff costs" in the consolidated income statements (Note 19-a), while per diems accrued during 2018 and 2017 totalled €284 thousand and €273 thousand, respectively, recognised under "Other operating costs - External services".

Furthermore, in 2018 post-employment benefits were granted to these executives in the amount of €38 thousand (€289 thousand in 2017), €33 thousand for the annual periodic contribution to the insurance arranged in 2006 with AEGON España, S.A. de Seguros y Reaseguros, by way of a supplementary pension (€285 thousand in 2017) and €5 thousand in contributions made by the Group to defined contribution plans in 2017 (€4 thousand in 2017) (Note 2-k).

Furthermore, the maximum number of shares in Bolsas y Mercados Españoles, where applicable, for the Senior Management of Bolsas y Mercados Españoles who are beneficiaries of the 2014-2019, 2017-2020 and 2018-2023 Share-based Variable Remuneration Plans hereinafter, the "Plans" (see Note 19-c), was set, for the plan overall, at 180,984 shares for the 2014-2019 Plan, 39,485 shares for the 2017-2020 Plan and 41,328 shares for the first three year period of the 2018-2023 Plan.

	MAXIMUM NUMBER OF THEORETICAL SHARES (*)		
	First three-year period	**Second three-year period**	**Third three-year period**
Share-based Variable Remuneration Plans:			
2014-2019 Plan	67,361	58,079	55,544
2017-2020 Plan	39,485	-	-
2018-2023 Plan	41,328	-	-
	148,174	**58,079**	**55,544**

(*) The maximum number of theoretical shares includes the shares allocated to the former and serving members of Senior Management acting as such on the allocation date. The maximum number of shares allocated to the second and third three-year period of the 2014-2019 Plan includes 10,175 shares and 10,323 shares corresponding to the Chief Executive Officer, the accrual of which during 2017 for the amount of €84 thousand and €57 thousand respectively is detailed under "External services – Other expenses" of the consolidated income statement.

As described in Note 19-c, in the first half of 2017, fulfilment of the objectives as well as the definitive coefficients to be applied the first three-year period of the 2014-2019 Plan, expiring on 31 December 2016, was reviewed, and the definitive number of shares to be delivered was 88,713, of which 28,134 corresponded to senior management at the time of accrual of their allocation. In June 2017, the Plan was settled through the delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 16,268 shares.

In the first half of 2018, fulfilment of the objectives as well as the definitive coefficients to be applied the second three-year period of the 2014-2019 Plan, expiring on 31 December 2017, was reviewed, and the definitive number of shares to be delivered was 84,286, of which 17,910 corresponded to senior management at the time of accrual of their allocation. In June 2018, the Plan was settled through the delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 10,378 shares.

Expenses recognised in the Group's consolidated income statement in 2018 in connection with the provision accrued by the portion of estimated fair value of the equity instruments granted to senior management under the Share-based Variable Remuneration Plans in effect amounted to €673 thousand, recognised under "Staff costs – Wages, salaries and similar expenses", at 31 December 2018 (€871 thousand at 31 December 2017.

No other long-term benefits were extended to senior management of Bolsas y Mercados Españoles in either 2018 or 2017. Likewise, at 31 December 2018 and 2017, the Company had not assumed any pension or life insurance obligations vis-à-vis, or extended loans or advances to senior executives of Bolsas y Mercados Españoles other than the arrangements outlined above.

e) Termination benefits

In the event of termination of the contractual relationship with Mr Antonio J. Zoido Martínez, he is entitled to receive an amount equal to 3 times the fixed annual remuneration at the time of termination. The aforementioned payment to the Chairman shall not be made in the event that he voluntarily leaves his position, fails to fulfil his duties or any of the cases needed for Bolsas y Mercados Españoles to be able to take corporate action against him for liability concur.

In the event of the resignation of the Mr Javier Hernani Burzako, the revocation of his powers, or the termination of the contract at the initiative of the CEO due to a default on the obligations assumed by the Company, the CEO shall have the right: "To receive the greater of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Workers' Statute at that time for any dismissal considered unfair. If termination results from a failure to fulfil his duties as CEO of the Company duly declared by a court and/or any of the cases needed for BME to be able to take corporate action against him for liability concur, neither resumption of the employment relationship nor payment of the aforementioned amount shall occur."

With respect to Senior Management, one senior executive has signed a senior management contract with the right to receive compensation in the event of dismissal equivalent to twenty-two months of the gross annual salary, unless employment law stipulates higher compensation. In addition, two senior executives are under ordinary employment contracts and are entitled to severance compensation equivalent to forty-five (45) days' salary per year of service.

f) Information required under Article 229 of the consolidated text of the Corporate Enterprises Act

In accordance with Article 229 of the consolidated text of the Corporate Enterprises Act in order to enhance the transparency of Spanish corporations, the Company's Directors have explicitly declared that they have not incurred in the conflicts of interest set forth in Article 229,1 of the consolidated text of the Corporate Enterprises Act, and they are certain that none of the situations mentioned therein apply to the persons related to them.

5. Intangible assets

a) Goodwill

i. Breakdown

Goodwill at 31 December 2018 and 2017 breaks down as follows:

	Thousands of euros	
Consolidated Companies (Appendix I)	**2018**	**2017**
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. (Sociedad Unipersonal)	16,995	16,995
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. (Sociedad Unipersonal)	6,184	6,184
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. (Sociedad Unipersonal)	4,940	4,940
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad Unipersonal) - Iberclear	52,500	52,500
Bolsas y Mercados Españoles Inntech, S.A.U., anteriormente denominada Infobolsa, S.A., Sociedad Unipersonal (Nota 2.a.)	4,957	4,957
Open Finance, S.L	2,149	3,142
	87,725	**88,718**

The goodwill relating to Iberclear arose from a corporate transaction undertaken in 2003 (Note 1-a) and was supported by the estimated future earnings from the clearing, settlement and registration of public debt securities formerly carried out by the Banco de España public debt book-entry trading system, or "CADE", and the business and operating synergies arising from the consolidation of the settlement platforms.

In 2015, due to operational, technical, management and regulatory changes within the Group, the Company concluded that the CGU initially defined (CADE) and financial and management information concerning CADE business had lost its relevance, given that management previously handled on a separate basis would be handled in integrated fashion at a level equivalent to the Settlement segment (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores). Thus in 2015 it was considered that the goodwill must be assigned to Iberclear, as it would meet the CGU definition as stipulated in IAS 36,6.

In accordance with the internal and external estimates, projections and measurements available to them, the Directors of Bolsas y Mercados Españoles have checked for signs of previous goodwill impairment losses, based on the estimate of their recoverable amount.

ii. Measurement

In relation to the Group's main source of goodwill, in 2018 and 2017, the measurement methodology employed by the independent expert to obtain the value in use associated with the company IBERCLEAR is the discounted future cash flows (DCF) associated with IBERCLEAR projected up to 2021 and 2020 respectively. In particular, the expectation discounted was net cash flow. The key variables used to produce financial projections stem from an extremely prudent estimate of future trends in net cash flows associated with Iberclear.

The present value of future flows to be distributed to obtain value in use was calculated for the 2018 and 2017 valuations using as the discount rate the yield on risk-free assets plus a specific risk premium in line with Iberclear business. Based on this method, the discount rate used was 9.7% and 10.9% respectively. Residual value for both years' valuations was estimated as the present value of a perpetual income which the company is expected to generate from the last year projected (based on normalised net operating profit in the year 2021 and 2020, respectively) and considering, for the purpose of analysing sensitivity, a nominal annual growth rate of 1.9% (1% in the valuation exercise for 2017).

No impairment has been indicated regarding the valuation exercise carried out on the IBERCLEAR CGU.

In relation to the goodwill corresponding to Open Finance, S.L., the measurement methodology employed to obtain the value in use associated with the company is the discounted future cash flows (DCF) method associated with said Company for a projected period up to 2022. In particular, the expectation discounted was net cash flow. The key variables used to produce financial projections stem from an extremely prudent estimate of future trends in net cash flows associated with the Company Open Finance, S.L.

The present value of future flows to be distributed to obtain the value in use was calculated in the measurement exercise using for the discount rate the yield on risk-free assets plus a specific risk premium in line with Open Finance, S.L. business. Based on this method, the discount rate used was 9.2%. Residual value was estimated as the present value of a perpetual income which the Company is expected to generate from the last year projected (based on normalised net operating profit in the year 2022) and considering, for the purpose of analysing sensitivity, a nominal annual growth rate of 1.9%.

The Group recognised an impairment to goodwill for the amount of €993 thousand, taking into account the reduction in the Company's profits compared to the forecasts made in previous years. The Company, the activity of which is detailed in Appendix I, is included in the Market Data & VAS business unit for management purposes, as detailed in Note 18.

b) Other intangible assets

i. Breakdown and significant changes

The breakdown of this heading, which comprises entirely intangible assets with finite useful lives, is as follows:

		Thousands of euros	
	Estimated useful life	**2018**	**2017**
Computer software	3-15 years	70,538	67,974
Total, gross		**70,538**	**67,974**
Of which:			
Developed internally	4-5 years	46,006	44,022
Purchases	3-15 years	24,532	23,952
Less:			
Accumulated amortisation		(57,053)	(52,355)
Total, net		**13,485**	**15,619**

The changes in this heading (stated gross) were as follows:

	Thousands of euros	
	2018	**2017**
Opening balance	67,974	66,478
Additions:		
Developed internally	3,215	1,829
Purchased	580	430
Disposals/other changes	(1,231)	(763)
Impairment losses	-	-
Closing balance	**70,538**	**67,974**

All of the additions due to internally developed software in 2018 and 2017 were recognised with a credit to "Own work capitalised" in the consolidated income statements in the amounts of €3,215 thousand and €1,829 thousand, respectively, and for the most part derive from the development services for REGIS-TR as well as developments associated with the rendering of new services (Authorised Publishing Agent, Transaction Cost Analysis, Cross Border Services and the trading of FX Rolling products).

Fully amortised intangible assets with a finite useful life at 31 December 2018 and 2017 amounted to €45,409 thousand and €44,587 thousand, respectively.

There were no restrictions on ownership of recognised intangible assets and none of these assets were held for sale at either year-end.

ii. Amortisation of intangible assets with a finite useful life

The table below summarises the changes affecting accumulated amortisation of intangible assets with finite useful lives:

	Thousands of euros	
	2018	**2017**
Opening balance	(52,355)	(47,593)
Provisions recognised in income	(4,698)	(4,762)
Disposals/other changes	-	-
Closing balance	**(57,053)**	**(52,355)**

iii. Impairment and gains/(losses) on disposal of intangible assets

In 2018, intangible assets were disposed of in the amount of €1,293 thousand (€801 thousand in 2017), at a net carrying amount of €1,231 thousand (€763 thousand in 2017), which generated €62 thousand in gains on disposal of other assets (€38 thousand in 2017), recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

6. Property, plant and equipment

The changes in this consolidated balance sheet heading, which exclusively comprises property, plant and equipment for own use, were as follows:

	Thousands of euros						
	Property, plant and equipment for own use						
	Land	Buildings	Furniture and installations	Information technology equipment	Motor vehicles and other	Fixed assets in process	Total
Cost:							
Balances at 1 January 2017	**24,375**	**9,902**	**32,918**	**59,237**	**256**	**491**	**127,179**
Additions	-	-	1,538	1,742	1	702	3,983
Disposals	-	-	(205)	(2,563)	(3)	-	(2,771)
Transfers	-	-	835	-	-	(835)	-
Balances at 31 December 2017	**24,375**	**9,902**	**35,086**	**58,416**	**254**	**358**	**128,391**
Additions	-	-	942	1,433	-	128	2,503
Disposals	-	-	(52)	(91)	(140)	-	(283)
Transfers	-	-	355	-	-	(355)	-
Balances at 31 December 2018	**24,375**	**9,902**	**36,331**	**59,758**	**114**	**131**	**130,611**
Accumulated depreciation:							
Balances at 1 January 2017	**-**	**(2,096)**	**(27,315)**	**(55,200)**	**(211)**	**-**	**(84,822)**
Provisions (Note 2-d)	-	(198)	(1,090)	(2,044)	(11)	-	(3,343)
Disposals	-	-	195	2,561	3	-	2,759
Balances at 31 December 2017	**-**	**(2,294)**	**(28,210)**	**(54,683)**	**(219)**	**-**	**(85,406)**
Provisions (Note 2-d)	-	(198)	(1,132)	(1,866)	(8)	-	(3,204)
Disposals	-	-	50	89	140	-	279
Transfers	-	-	-	-	-	-	-
Balances at 31 December 2018	**-**	**(2,492)**	**(29,292)**	**(56,460)**	**(87)**	**-**	**(88,331)**
Property, plant and equipment, net:							
Balances at 31 December 2017	24,375	7,608	6,876	3,733	35	358	42,985
Balances at 31 December 2018	24,375	7,410	7,039	3,298	27	131	42,280

Fully depreciated items of property, plant and equipment amounted to €76,893 thousand and €74,222 thousand at 31 December 2018 and 2017, respectively.

On 21 December 2005, the Group acquired a plot of land and some buildings, together with their installations, and the Group companies located in Madrid moved there in 2006. The overall acquisition cost was €37,185 thousand. Some of the Group companies have, however, carried on their business in 2018 and 2017 in leased premises. The rent paid in this respect in those years totalled €2,799 thousand and €2,854 thousand, respectively, and is recognised under "Other operating costs – External services - Leases" in the consolidated income statement (Note 20).

In 2018, data processing equipment, furniture and installations and other for the amount of €91 thousand and €192 thousand respectively were written off, and a net carrying value of €89 thousand and €190 thousand, respectively, which generated €4 thousand in losses due to the disposal of other non-current assets, which were recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement. In 2018, items of tangible non-current assets were disposed of for the amount of €2 thousand generating a gain of €2 thousand for the disposal of items of other items of non-current assets, which were recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

In 2017, data processing equipment, furniture and installations and other for the amount of €2,563 thousand and €208 thousand respectively were written off, and a net carrying value of €2,561 thousand and €198 thousand, respectively, which generated €12 thousand in losses due to the disposal of other non-current assets, which were recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

The Group has arranged insurance policies to cover the possible risks to which the various components of property, plant and equipment are exposed.

There were no encumbrances on any item of property, plant and equipment at either 31 December 2018 or 2017, nor had any assets of significance been acquired under a finance lease arrangement at those dates.

7. Current financial assets, other current financial assets (liabilities) and non-current financial assets

a) Non-current financial assets, current financial assets and other current financial assets

i. Breakdown

The breakdown of these headings on the consolidated balance sheet, according to the measurement classification (at 31 December 2018 in accordance with IFRS 9 and at 31 December 2017 in accordance with IAS 39), origin and classification by presentation, currency and nature of the operations is as follows:

	Thousands of euros			
	31-12-2018 (*)		31-12-2017	
	Non Current	Current	Non Current	Current
Classification for measurement purposes:				
Financial assets held for trading			-	18,934,329
Available-for-sale financial assets			12,164	-
Loans and receivables			859	3,207,558
Held-to-maturity investments			-	9,498
Financial assets at fair value with changes in other comprehensive income	13,279	-		
Financial assets valued at amortised cost	870	13,882,489		
Financial assets at fair value with changes in other income	-	-		
	14,149	**13,882,489**	**13,023**	**22,151,385**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

	Thousands of euros			
	31-12-2018 (*)		31-12-2017	
	Non Current	Current	Non Current	Current
Source and classification for presentation:				
Other current financial assets				
Realisation of guarantees received from participants	-	2,320,332	-	3,172,060
Financial instruments in CCP	-	11,529,131	-	18,934,329
Receivables for settlement	-	25,244	-	28,752
Realisation of cash withheld for settlement	-	1,535	-	-
Cash receivables for settlement	-	-	-	23
Current financial assets	-	6,247	-	16,221
Non-current financial assets	14,149	-	13,023	-
	14,149	**13,882,489**	**13,023**	**22,151,385**
Currency:				
Euro	3,390	13,882,489	2,629	22,151,385
Other currencies	10,759	-	10,394	-
	14,149	**13,882,489**	**13,023**	**22,151,385**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

	Thousands of euros			
	31-12-2018 (*)		31-12-2017	
	Non Current	Current	Non Current	Current
Nature:				
Equity instruments				
Equity securities	13,279	-	12,164	-
Debt securities-				
Other fixed income securities	-	-	-	5,998
Financial instruments in CCP				
Fixed-income securities in central counterparty (BME Clearing Repo)	-	10,265,386	-	17,868,540
Options in CCP	-	382,553	-	151,783
Equity securities in CCP	-	881,192	-	914,006
Other financial assets				
Public Debt reverse repurchase agreements	-	19,489	-	17,173
Bank deposits (own)	-	6,247	-	10,223
Bank deposits (third party)	-	2,302,378	-	3,154,887
Receivables for settlement of daily options and futures trades	-	25,244	-	28,752
Cash receivables for settlement	-	-	-	23
Guarantees given	820	-	818	-
Post-employment obligations				
Retirement bonuses	50	-	41	-
	14,149	**13,882,489**	**13,023**	**22,151,385**
Less- Impairment losses	-	-	-	-
Total financial assets	**14,149**	**13,882,489**	**13,023**	**22,151,385**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

Financial assets at fair value with changes in income (IFRS 9) - Financial assets held for trading (IAS 39)

In 2017, and up until the entry into force of IFRS 9 (see Notes 1.b and 2.e), the positions in fixed-income securities (cleared through BME Clearing Repo), equity securities and option trades in which the Group acted as central counterparty, for the amount of €17,868,540 thousand, €914,006 thousand and €151,783 thousand respectively, are included in the portfolio of financial assets held for trading (the positions of these financial assets in 2017 coincide with the corresponding positions of financial liabilities - section b of this Note).

With regard to futures held for trading, since valuation adjustments are calculated daily and settled D+1, only receivables and payables corresponding to the daily margins payable at 31 December 2018 and 2017 are recognised in the balance sheet under "Other current financial assets – Receivables for settlement" and "Other current financial liabilities – Payables for settlement", the debit and credit balances corresponding to the amount of future margins calls at 31 December 2018 and 31 December 2017, the balances of which as well as the total amount of the future margin calls settled in 2018 and 2017, are detailed in the section "Financial assets at amortised cost (IFRS 9)" or "Loans and receivables (IAS 39)", respectively, detailed below.

Financial assets at fair value with changes in other comprehensive income (IFRS 9) - Financial assets available-for-sale (IAS 39)

Below follows a breakdown of the financial assets at fair value with changes in other comprehensive income at 31 December 2018 (IFRS 9) which at 31 December 2017 were classified as available for-sale financial assets (IAS 39):

		Thousands of euros	
	% ownership	31-12-2018	31-12-2017
Non-current			
Quoted equity securities measured at fair value:			
Bolsa Mexicana de Valores, S.A., de C.V.	0.99%	9,306	8,941
Unquoted equity securities measured at cost:			
Operador del Mercado Ibérico de Energía - Polo Español, S.A. (OMEL)	5.65%	524	524
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	5.00%	1,246	1,246
Cámara de Riesgo Central de Contraparte de Colombia S.A.	9.91%	1,453	1,453
Sociedad Promotora Bilbao Gas Hub, S.A.	2.03%	-	-
Noster Finance, S.L.	8.98%	750	-
		13,279	**12,164**

In 2018 and 2017, the Bolsas y Mercados Españoles Group received dividends from these securities amounting to €509 thousand and €408 thousand, respectively, which were recognised under "Finance income – From equity investments" in the consolidated income statement (Note 21).

Financial assets at amortised cost (IFRS 9) - Loans and receivables (IAS 39)

At 31 December 2018 (IFRS 9) and 31 December 2017 (IAS 39) these financial assets, virtually all of which are current, corresponded to the following financial investments of guarantees received from participants and in 2018, to the positions in financial instruments in central counterparty (section (b) of this Note):

- Reverse repurchase agreements and the balances of Banco de España and other banks current accounts, in the amount of €19,489 and thousand and €2,302,378 thousand, respectively at 31 December 2018 (€17,173 thousand and €3,154,887 thousand, respectively, at 31 December 2017), which represent the investments in which the statutory deposits that the members of BME Clearing and MEFF Euroservices are required to make to guarantee the open positions held in their respective markets, as well as the statutory deposits required of the members of the electricity settlement clearance market in MEFF Tecnología y Servicios, to guarantee their positions in that market.
- Balances receivable for the settlement (settled at D+1 by each clearing member) of daily options trades in the amount of €157 thousand and €140 thousand at 31 December 2018 and 31 December 2017 respectively, and of daily futures margin calls in the amount of €25,087 thousand and €28,612 thousand 31 December 2018 and 31 December 2017, respectively. €7,808,749 thousand and €10,847,975 thousand in futures traded and futures margin calls payable at 31 December 2018 and 2017 were settled in 2018 and 2017, respectively. The amount settled for daily margin calls receivable (debtor balance) is the same as the aggregate of the daily margin calls payable (creditor balance) and therefore, neither are recognised with a balancing entry in the consolidated income statement.
- Cash receivables for settlement of €23 thousand at 31 December 2017 (there is no amount for this item at 31 December 2018) includes the collection right of the Group for the financing provided by BME Clearing to the system for the cash differences of the failed instructions pending settlement in which the CCP is involved.
- The positions in financial instruments in central counterparty in fixed income (cleared through BME Clearing Repo) for the amount of €10,265,386 thousand, equities for the amount of €881,192 thousand and options for the amount of €382,553 thousand at 31 December 2018.

This category also contains the following:

- The amount of the guarantee required by Banco de España from the Group made in a blocked current account with Banco de España to guarantee that payments are made immediately in the event a cash settlement fails, in the amount of €6,247 thousand at 31 December 2018 (€6,723 thousand at 31 December 2017). Banco de España calculates these guarantees quarterly, adjusting the blocked amount in the current account with the same frequency.
- The assets arising from the measurement of long-term employee benefit obligations (retirement bonuses), in the amount of €50 thousand at 31 December 2018 (€41 thousand at 31 December 2017) (Notes 2-k and 13) and long-term guarantees given in the amount of €820 thousand and €818 thousand at 31 December 2018 and 31 December 2017, respectively.

The carrying amount of all these assets is similar to their fair value.

The net loss obtained by the Group in the 2018 and 2017 after transferring to the members the negative returns obtained from the investment of the guarantees in reverse repurchase agreements in Government Debt Securities as well as the financial cost corresponding to the Banco de España deposits amounted to €15 thousand for 2017 (there is no amount recognised for this item in 2018) and are recognised under "Financial income – Marketable securities and other financial instruments" on the consolidated income statement (Notes 2-n.iv and 21).

Financial assets at amortised cost (IFRS 9) - Investments held until maturity (IAS 39)

Below follows a breakdown on the financial assets at amortised cost classified as investments held until maturity at 31 December 2017 (there is no amount recognised for this item at 31 December 2018). These financial assets basically correspond to financial investments in which the Group has invested its cash surpluses and which could not be classified under "Cash and cash equivalents":

	Thousands of euros	
	31-12-2017	
	Non Current	Current
Debt securities:		
Other fixed income securities	-	5,998
Other financial assets:		
Bank deposits	-	3,500
	-	**9,498**

At 31 December 2017 bank deposits also included €2,000 thousand relating to fixed-term deposits from Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal, and €1,500 thousand corresponding to a fixed-term deposit of Infobolsa Deutschland, GmbH.

Other fixed income securities corresponded to a commercial paper, whose counterparty at 31 December 2017 was Banco Sabadell, S.A. The abovementioned assets were listed for trading on the AIAF.

ii. Residual maturities and average interest rates

Details, by maturity, of the consolidated balance sheet headings "Current financial assets" and "Other current financial assets" (excluding fixed-income positions in CCP (BME Clearing Repo), equity securities in CCP, options in CCP, receivables for the settlement of daily options and futures trades, and cash receivables for settlement):

Current financial assets and other current financial assets

	Thousands of euros					
	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 12 months	Total	Average interest rate
31 December 2018:						
Other financial assets						
Reverse repurchase agreements	19,489	-	-	-	19,489	-0.40%
Bank deposits (own)	6,247	-	-	-	6,247	0.00%
Bank deposits (third party)	2,302,378	-	-	-	2,302,378	-0.40%
Debt securities						
Other fixed income securities	-	-	-	-	-	
	2,328,114	**-**	**-**	**-**	**2,328,114**	
31 December 2017:						
Other financial assets						
Reverse repurchase agreements	17,173	-	-	-	17,173	0.00%
Bank deposits (own)	6,723	-	3,500	-	10,223	0.02%
Bank deposits (third party)	3,154,887	-	-	-	3,154,887	-0.40%
Debt securities						
Other fixed income securities	-	-	-	5,998	5,998	0.10%
	3,178,783	**-**	**3,500**	**5,998**	**3,188,281**	

iii. Acquisitions and disposals

Equity instruments

The main acquisitions and disposals of equity instruments undertaken in 2018 and 2017 were as follows:

	Thousands of euros
Balance at 1 January 2017	**11,057**
Less - Valuation adjustments (gross)	1,107
Balance at 31 December 2017	**12,164**
Acquisitions	750
Plus - Valuation adjustments (gross)	365
Balance at 31 December 2018	**13,279**

Below follows the most significant variations in 2018 and 2017 experience by the equity instruments classified under financial assets at fair value with changes in other comprehensive income at 31 December 2018 (IFRS 9) which at 31 December 2017 were classified as financial assets available for sale (IAS 39):

In 2018, the Parent acquired a 9.7% stake in the capital of Noster Finance, S.L. (Finect), for the amount of €750 thousand, which was diluted to 8.98% at 31 December 2018.

The gain in the "fair value" of Bolsa Mexicana de Valores, S.A., de C.V. (listed entity) compared to 31 December 2017, which increased to €365 thousand (a positive change for the amount of €1,107 thousand in 2017), was recognised, net of taxes, with a credit to equity attributed to the parent (under "Other comprehensive income - Items that will not be reclassified to profit/(loss)" at 31 December 2018 and "Other comprehensive income - Items that may be reclassified to profit /(loss) for the year - available for sale financial assets " at 31 December 2017) - Note 11. At 31 December 2018 and 2017, the Parent owned 6,250,000 shares in Bolsa Mexicana de Valores, S.A., de C.V., equivalent to an approximate stake of 0.99% in its share capital.

Debt securities and other financial assets

The main acquisitions and disposals of debt securities and other financial assets (excluding third-party bank deposits, deposits given, receivables in connection with the settlement of daily options and futures trades, guarantees given and others) during 2018 and 2017 are as follow:

	Thousands of euros		
	PRIVATE FIXED INCOME	TERM DEPOSITS	TOTAL
Balance at 1 January 2017	**13,189**	**45,822**	**59,011**
Acquisitions	5,995	16,224	22,219
Amortisations	(13,200)	(51,825)	(65,025)
Plus – Restatements for amortised cost (gross)	14	2	16
Balance at 31 December 2017	**5,998**	**10,223**	**16,221**
Reverse	-	32,115	32,115
Amortisations	(6,000)	(36,091)	(42,091)
Plus – Restatements for amortised cost (gross)	2	-	2
Balance at 31 December 2018	**-**	**6,247**	**6,247**

In 2018, the Group recognised interest income on the aforementioned debt securities and other financial assets totalling €2 thousand (€14 thousand in 2017) and no amount was recognised for this item for the previously mentioned other financial assets (€2 thousand in 2017) under "Finance income – From marketable securities and other financial instruments" on the consolidated income statement (Note 21).

The main acquisitions and disposals of reverse repurchase agreements in 2018 and 2017 are disclosed in Note 9, which analyses cash and cash equivalents.

iv. Impairment losses

No impairment losses were identified in either 2018 or 2017 that affect "Non-current financial assets", "Other current financial assets" and "Current financial assets".

b) Other current financial liabilities

The breakdown of this consolidated balance sheet heading by classification for measurement purposes, origin, currency and class is as follows:

	Thousands of euros (*)	
	25-07-2018	**18-12-2018**
Classification for measurement purposes:		
Financial liabilities held for trading	-	18,934,329
Accounts payable	13,876,230	3,200,804
	13,876,230	**22,135,133**
Source and classification for presentation:		
Other current financial liabilities		
Guarantees received from participants	2,320,320	3,172,052
Financial instruments in CCP	11,529,131	18,934,329
Payables for settlement	25,244	28,752
Payables for cash withheld for settlement	1,535	-
Payables in cash for settlement	-	-
	13,876,230	**22,135,133**
Currency:		
Euro	13,876,230	22,135,133
Other currencies	-	-
	13,876,230	**22,135,133**

	Thousands of euros (*)	
	25-07-2018	**18-12-2018**
Nature:		
Positions in financial instruments in central counterparty		
Fixed-income securities in CCP		
(BME Clearing Repo)	10,265,386	17,868,540
Options in CCP	382,553	151,783
Equity securities in CCP	881,192	914,006
Other financial liabilities		
Guarantees received from BME Clearing and MEFF Tecnología y Servicios	2,320,320	3,172,052
Payables for settlement of daily options and futures trades	25,244	28,752
Cash payables withheld for settlement	1,535	-
	13,876,230	**22,135,133**
Total financial liabilities	**13,876,230**	**22,135,133**

(*) See reconciliation of IAS 39 at 31 December 2017 with IFRS 9 at 1 January 2018 (Note 1.b).

The Directors consider that the carrying amount of the balances under "Other current financial liabilities" in the consolidated balance sheet is equivalent to their fair value.

The finance costs passed on to members and depositors are recognised under "Finance costs – Guarantees received from participants" in the consolidated income statements (Note 21).

The residual maturity of "Other current financial liabilities", with the exception of fixed income securities and options held in CCP, changes daily depending on the market positions held by the owners of these instruments.

8. Trade and other receivables

i. Breakdown

The table below details the composition of this heading on the consolidated balance sheet:

	Thousands of euros	
	31-12-2018	31-12-2017
Trade receivables for sales and services	**37,452**	**38,031**
Companies accounted for using the equity method	443	471
Less - Impairment losses	**(3,321)**	**(4,000)**
	34,574	**34,502**
Current tax assets (Note 16)	38,851	42,544
Other receivables-		
Public bodies (Note 16)	**2,728**	**2,324**
Loans to employees	902	903
	3,630	3,227
	77,055	**80,273**

"Trade receivables for sales and services" relates mainly to amounts receivable from services rendered by the various Group companies. It also includes the contract assets of the Group's companies.

The carrying amount of trade receivables for services and other receivables is similar to fair value. These balances do not generate interest.

Specific changes in assets during 2018 can be seen below:

	Thousands of euros
Balance at 1 January	3,783
Additions	9,751
Disposals	(9,308)
Balance at 31 December	**4,226**

At 31 December 2018, it is estimated that the contract assets will be reclassified as an account receivable during 2019.

In 2018 no major changes were recognised in the contract assets resulting from the amendments to the measurement of progression, changes to the estimates or the amendments to the contracts.

ii. Impairment losses

The movement in provisions for impairment losses on assets included under "Customers for sales and rendering of services" in 2018 (IFRS 9) and 2017 (IAS 39) in the consolidated balance sheets is as follows:

	Thousands of euros	
	2018	**2017**
Balance at 1 January	**4,000**	**3,518**
Provisions recognised in the income statement and write-downs	1,146	1,251
Release of provisions with a credit to income	**(771)**	**(600)**
Net provisions (releases) for the year and write-downs	375	651
Amounts used with no impact on profit or loss	(1,054)	(169)
Balance at 31 December	**3,321**	**4,000**

Net provisions recognised in 2018 and 2017, amounting to €374 thousand and €651 thousand, respectively, in connection with impairment losses on the assets included in "Trade receivables for sales and services" are recognised under "Other operating costs – Losses, impairment and changes in trade provisions" in the consolidated income statement (Note 20).

In 2018 and 2017, the Group also recognised impairment losses on the write-down of irrecoverable "Trade receivables for sales and services" of €1 thousand and €2 thousand, respectively, under "Other operating costs – Losses, impairment and changes in trade provisions" in the consolidated income statement (see Note 20).

There follows a breakdown of "Trade receivables for sales and services", "Companies accounted for using the equity method" and "Other receivables" at 31 December 2018 and 2017, by maturity and geographic areas where the risks are located:

	Thousands of euros						
	Balances not yet due and past due Up to 3 Months	Unpaid balances past-due by					Total
		Between 3 and 6 Months	Between 6 and 12 Months	Between 12 and 18 Months	Between 18 and 24 Months	More than 24 Months	
31 December 2018:							
By geographic area-							
Spain	27,310	1,186	1,319	34	369	2,038	32,256
Rest of the world	7,503	552	761	166	93	194	9,269
	34,813	**1,738**	**2,080**	**200**	**462**	**2,232**	**41,525**
31 December 2017:							
By geographic area-							
Spain	28,076	231	1,014	113	550	2,756	32,741
Rest of the world	7,981	289	357	61	34	267	8,988
	36,057	**520**	**1,371**	**174**	**584**	**3,023**	**41,729**

9. Cash and cash equivalents

"Cash and cash equivalents" includes the short-term financial assets in which the Bolsas y Mercados Españoles Group invests its surplus cash. The breakdown in 2018 and 2017 was as follows:

	Thousands of euros	
	2018	**2017**
Category:		
Cash	195,338	138,492
Reverse repurchase agreements	72,998	137,247
Short-term deposits	2,000	-
	270,336	275,739
Less - Impairment losses	-	-
Net balance	**270,336**	**275,739**

The carrying amount of these assets is similar to their fair value.

The maturities and average returns on the assets included under "Cash and cash equivalents" in the consolidated balance sheets, excluding actual cash balances, at 31 December 2018 and 2017 are as follows:

	Thousands of euros				Average interest rate
	Up to 1 week	**1 week to 1 month**	**1 to 3 months**	**Total**	
31 December 2018:					
Reverse repurchase agreements	72,998	-	-	72,998	-0.40%
Short-term deposits	-	-	2,000	2,000	0.00%
	72,998	**-**	**2,000**	**74,998**	
31 December 2017:					
Reverse repurchase agreements	137,247	-	-	137,247	0.00%
	137,247	**-**	**-**	**137,247**	

The changes in 2018 and 2017 in reverse repurchase agreements included under "Other current financial assets" (Note 7) and "Cash and cash equivalents" and in short-term deposits under "Cash and cash equivalents" consolidated balance sheet were as follows:

Item	Thousands of euros			
	Reverse repurchase agreements	Short-term bank deposits	Private fixed income	Total
Balances at 1 January 2017	**1,218,217**	**1,500**	**-**	**1,219,717**
Purchases	**347,411,140**	**3,000**	**-**	**347,414,140**
Sales	(348,474,937)	(4,500)	-	(348,479,437)
Balances at 31 December 2017	**154,420**	**-**	**-**	**154,420**
Purchases	**17,691,932**	**8,000**	**-**	**17,699,932**
Sales	(17,753,865)	(6,000)	-	(17,759,865)
Balances at 31 December 2018	**92,487**	**2,000**	**-**	**94,487**

No impairment losses were recognised for these financial assets in 2018 and 2017.

The income generated on these assets in 2018 and 2017, recognised under "Finance income – From marketable securities and other financial instruments" in the consolidated income statements (Note 21), is as follows:

Year	Thousands of euros			
	Reverse repurchase agreements	Short-term bank deposits	Private fixed income	Total
2018	(30)	-	-	(30)
2017	(1)	-	-	(1)

10. Other current assets

This consolidated balance sheet heading at 31 December 2018 and 2017 includes prepaid expenses recognised by the various Group companies in connection with their operating activities.

11. Equity

"Equity" on the consolidated balance sheet position primarily includes the contributions by owners and retained earnings recognised in the consolidated income statement. Amounts in respect of subsidiaries are presented under separate headings.

Movements in the various balances included in equity in 2018 and 2017 were as follows:

	Thousands of euros											
			Reserves									
	Capital	Share premium	Legal reserve	Other reserves	Reserves in consolidated companies	Parent shares and equity holdings	Results for the year attributable to Parent	Interim dividend (Note 3)	Other equity instruments	Other comprehensive income	Non-controlling interests	Equity
Balances at 1 January 2017	**250,847**	**-**	**54,016**	**325,359**	**(278,580)**	**(13,313)**	**160,260**	**(83,096)**	**6,939**	**1,360**	**258**	**424,050**
Distribution of 2016 profit	-	-	-	10,691	-	-	(160,260)	83,096	-	-	-	(66,473)
Actuarial gains and losses and other (Note 13)	-	-	-	269	-	-	-	-	-	-	-	269
Equity-based payments, net (Note 19)	-	-	-	516	-	1,352	-	-	162	-	-	2,030
Valuation adjustments (Note 7)	-	-	-	-	-	-	-	-	-	819	-	819
Transfers between equity items	-	-	-	(5,233)	5,233	-	-	-	-	-	-	-
Transactions with parent company shares and equity holdings	-	-	-	-	-	(465)	-	-	-	-	-	(465)
Profit/(loss) for the year	-	-	-	-	-	-	153,319	-	-	-	21	153,340
Interim dividend from profit from 2016	-	-	-	-	-	-	-	(83,133)	-	-	-	(83,133)
Other changes	-	-	-	(11)	-	-	-	-	-	-	-	(11)
Balances at 31 December 2017	**250,847**	**-**	**54,016**	**331,591**	**(273,347)**	**(12,426)**	**153,319**	**(83,133)**	**7,101**	**2,179**	**279**	**430,426**
Adjustments for changes in accounting criteria (Note 1-b)	-	-	-	(16,993)	-	-	-	-	-	-	-	(16,993)
Balances at 1 January 2018	**250,847**	**-**	**54,016**	**314,598**	**(273,347)**	**(12,426)**	**153,319**	**(83,133)**	**7,101**	**2,179**	**279**	**413,433**
Distribution of 2017 profit	-	-	-	5,367	-	-	(153,319)	83,133	-	-	-	(64,819)
Actuarial gains and losses and other (Note 13)	-	-	-	874	-	-	-	-	-	-	-	874
Equity-based payments, net (Note 19)	-	-	-	1,375	-	1,286	-	-	(1,674)	-	-	987
Valuation adjustments (Note 7)	-	-	-	-	-	-	-	-	-	272	-	272
Transfers between equity items	-	-	-	10,692	(10,692)	-	-	-	-	-	-	-
Transactions with Parent shares and equity holdings	-	-	-	-	-	(4,267)	-	-	-	-	-	(4,267)
Profit/(loss) for the year	-	-	-	-	-	-	136,288	-	-	-	(186)	136,102
Increase/decrease due to business combination	-	-	-	-	-	-	-	-	-	-	427	427
Interim dividend from profit from 2018	-	-	-	-	-	-	-	(83,078)	-	-	-	(83,078)
Acquisitions / (disposals) of non-controlling interests	-	-	-	(175)	-	-	-	-	-	-	(110)	(285)
Other changes	-	-	-	(26)	-	-	-	-	-	-	-	(26)
Balances at 31 December 2018	**250,847**	**-**	**54,016**	**332,705**	**(284,039)**	**(15,407)**	**136,288**	**(83,078)**	**5,427**	**2,451**	**410**	**399,620**

a) Capital

i. Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros (Parent company)

At 31 December 2018 and 2017, Bolsas y Mercados Españoles' share capital consisted of 83,615,558 fully subscribed and paid up shares with a par value of €3.00 each. The Company's shares are listed on the electronic trading system ("continuous market") of the Spanish stock exchanges and all enjoy the same voting and dividend rights.

At 31 December 2018 and 2017 the breakdown of shareholders holding interests of 3% or over in Bolsas y Mercados Españoles, according to the information in Shareholders' Register, which contains trades carried out in 2018 and 2017, was as follows:

	OWNERSHIP INTEREST	
Name or corporate name of shareholder	**2018**	**2017**
Corporación Financiera Alba, S.A.	12.06%	12.06%

At 31 December 2018, "State Street Bank and Trust Co" appeared in the Shareholder Register with stakes in BME's share capital of 3.82% (lower than 3% at 31 December 2017). However, the Company believes that these shares are held in custody for third parties and that, as far as BME is aware, none of these hold over 3% of the company's share capital or voting rights.

ii. Subsidiaries

At 31 December 2018 and 2017:

1. None of the shares of the Group's subsidiaries (Appendix I) were listed on the official stock exchanges:
2. No subsidiary had uncalled share capital.
3. No subsidiaries are in the process of increasing their capital, or, in any event, any such issuances were not material in respect of the overall Group.
4. No authorisations have been granted by the General Shareholders' Meetings to subsidiaries to increase capital, or, in any event, they have not done so for amounts material in respect of the overall Group.

b) Reserves

i. Legal reserve

Under Article 274 of the consolidated text of the Corporate Enterprises Act, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 31 December 2018 and 2017 the parent company of the Group had fully allocated the legal reserve in the amount of €54,016 thousand, included under "Reserves" in the accompanying consolidated balance sheet.

ii. Other reserves

The changes in this heading in 2018 and 2017 include €1,375 thousand and €516 thousand relating to the net gain of the tax effect recognised by the Group as a result of the settlement of the second and first three-year period of the 2014–2019 Plan, respectively, (see sections c) and e) of this Note, and Note 19-c).

The remaining reserves are unrestricted.

iii. Reserves in consolidated companies

The breakdown of this heading on the consolidated balance sheet by company, after consolidation adjustments, is as follows:

	Thousands of euros	
	2018	**2017**
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., - Sociedad Unipersonal [1]	(195,607)	(187,669)
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., - Sociedad Unipersonal	(25,337)	(23,552)
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., - Sociedad Unipersonal	(12,819)	(12,361)
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., - Sociedad Unipersonal	(23,489)	(22,440)
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., - Sociedad Unipersonal	24,232	18,619
Instituto Bolsas y Mercados Españoles, S.L., - Sociedad Unipersonal	3	(1)
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal	1,530	1,385
BME Clearing, S.A. – Sociedad Unipersonal	(33,069)	(33,097)
MEFF Tecnología y Servicios, S.A., - Sociedad Unipersonal [2]	(2,449)	(2,448)
BME Renta Fija, S.A., - Sociedad Unipersonal	(5,563)	(802)
Bolsas y Mercados Españoles Market Data, S.A.	751	703
Bolsas y Mercados Españoles Sistemas de Negociación, S.A.	(2,162)	256
Sociedad de Bolsas, S.A.	(8,934)	(9,019)
Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal [3]	(794)	(743)
BME Post Trade Services, S.A.- Sociedad Unipersonal	(1,102)	(1,869)
Regis-TR, S.A.	770	(309)
	(284,039)	**(273,347)**

(1) The 2017 financial year includes the reserves in consolidated companies contributed by Visual Trader, S.L. until its absorption by Bolsas y Mercados Españoles Innova S.A. - Sociedad Unipersonal in 2017 (Note 2.a).
(2) At 31 December 2017, this included the reserves in consolidated companies originating from the absorbed company MEFF Euroservices, S.A., Sociedad Unipersonal (Note 2.a).
(3) At 31 December 2017, this included the reserves in consolidated companies originating from the absorbed company Bolsas y Mercados Españoles Innova, S.A., - Sociedad Unipersonal (Note 2.a).

The negative balances of reserves in consolidated companies shown in the preceding table arose as a consequence of the distribution of dividends to Bolsas y Mercados Españoles by some of the Affected Companies with charges against reserves generated in respect of income earned prior to 1 October, 2002 (the date on which the Affected Companies began to generate profit for Bolsas y Mercados Españoles).

c) Treasury shares

At 31 December 2018 and 2017, the breakdown of treasury shares held by the Company was as follows:

	Number of shares	Par value (euros)	Average acquisition price (euros)	Total acquisition cost (Thousands of euros)
Treasury shares at 31 December 2018	604,003	3.00	25.51	15,407
Treasury shares at 31 December 2017	489,258	3.00	25.40	12,426

At its meeting on 31 July 2008, the Board of Directors of the Company approved the acquisition of 337,333 shares in BME, equivalent to 0.40% of share capital, and the acquisition was carried out in August 2008, for the purpose of implementing the share-based payment plan approved in 2008, which was due for settlement on 31 December 2010. However, as the targets established under this plan had not been met at that date, no share-based bonuses were paid to beneficiaries.

In June 2017, to cover the settlement of the first three-year period of the 2014-2019 Variable Remuneration Plan, the Company delivered 53,301 treasury shares to the beneficiaries of said Plan (see Note 19-c), the fair value of which at the date of delivery was €1,682 thousand. The cost of these treasury shares, in the amount of €1,352 thousand, was derecognised.

In June 2018, to cover the settlement of the second three-year period of the 2014-2019 Variable Remuneration Plan, the Company delivered 50,550 treasury shares to the beneficiaries of said Plan (see Note 19-c), the fair value of which at the date of delivery was €1,517 thousand. The cost of these treasury shares, in the amount of €1,286 thousand, was derecognised.

In 2018 and 2017 the Company acquired 165,295 treasury shares and 17,726 treasury shares, in the amounts of €4,267 thousand and €465 thousand.

d) Profit/(loss) for the year attributable to the Parent

The contributions to consolidated profit for the year in 2018 and 2017 by the companies included in the consolidation scope breakdown were as follows:

	Thousands of euros	
	2018	**2017**
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	(6,398)	(8,085)
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., - Sociedad Unipersonal	43,466	52,118
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., - Sociedad Unipersonal	7,525	10,703
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., - Sociedad Unipersonal	1,262	2,172
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., - Sociedad Unipersonal	6,574	6,920
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., - Sociedad Unipersonal	31,463	36,520
Instituto Bolsas y Mercados Españoles, S.L., - Sociedad Unipersonal	(15)	26
LATAM Exchanges Data, Inc.	(127)	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal	2,303	2,498
BME Clearing, S.A. – Sociedad Unipersonal	11,115	11,752
MEFF Tecnología y Servicios, S.A., - Sociedad Unipersonal	1,385	781
BME Renta Fija, S.A., - Sociedad Unipersonal	2,676	3,171
Bolsas y Mercados Españoles Market Data, S.A.	27,512	25,314
Bolsas y Mercados Españoles Sistemas de Negociación, S.A.	1,730	2,065
Sociedad de Bolsas, S.A.	3,051	3,325
Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal	(272)	2,168
BME Post Trade Services, S.A.- Sociedad Unipersonal	649	777
Regis-TR, S.A.	2,389	1,094
	136,288	**153,319**

e) Other equity instruments

This includes the amount of compound financial instruments having the nature of equity, the changes in equity owing to employee compensation, and other items not included in other equity items. At 31 December 2018 and 2017, the only items under this heading, in the respective amounts of €5,427 thousand and €7,101 thousand, relate to the equity instruments for staff remuneration stipulated in Note 19-c).

In 2018 and 2017, provisions were recognised in "Other equity instruments" resulting from the Share-based Variable Remuneration Plans in effect at the time, in the respective amounts of €2,457 thousand and €3,310 thousand (see Note 19-c).

In 2017, the Company derecognised the fair value estimated at 31 December 2016 of the equity instruments corresponding to the first period of the 2014-2019 Plan, corresponding to the beneficiaries of the Plan, in the amount of €3,148 thousand (excluding, for these purposes, the 50% of the fair value of the Plan attributed to the beneficiaries of Bolsas y Mercados Españoles Inntech, S.A.U., accruing up until its full integration with the group, in the amount of €10 thousand) (see Note 19-c).

In 2018, the Company derecognised the estimated fair value at 31 December 2017 of the equity instruments for the second three-year period of the 2014–2019 Plan, corresponding to the beneficiaries of the Plan, in the amount of €4,131 thousand (Note 19-c).

The change in this heading in 2018 and 2017 was as follows:

	Thousands of euros	
	2018	**2017**
Opening balance	2,179	1,360
Net valuation gains (loss)	274	830
Translation differences	(2)	(11)
Decreases due to:		
Amounts transferred to the income statement	-	-
Closing balance	**2,451**	**2,179**

Net valuation gains (losses) recognised correspond in their entirety to valuation adjustments due to changes in the fair value of the Group's shareholding in Bolsa Mexicana de Valores, S.A., de C.V. during both periods.

f) Other comprehensive income

This section of the consolidated balance sheet detail the net amount of the tax effect of those changes in fair value of the financial assets at fair value with changes in other comprehensive income at 31 December 2018 (IFRS 9) which at 31 December 2017 were classified as financial assets available for sale (IAS 39) which must be classified as part of the equity attributed to the parent (in "Items that will not be reclassified to profit/(loss)" up until 31 December 2017) (Note 1.b); as well as the net amount of the conversion differences resulting from converting into euros the balances of the entity BME Soporte Local Colombia S.A.S., whose operating currency is different to the euro, which is classified in "Items that may be reclassified to profit/(loss) for the year".

g) Non-controlling interests

The amount recognised in "Non-controlling interests" on the consolidated balance sheet at 31 December 2018 and 31 December 2017 for the amount of €410 thousand and €279 thousand, respectively. This corresponds to the minority interests holding a 10% and 19% stake in Open Finance, S.L. at 31 December 2018 and 31 December 2017, respectively, as well as the minority interests holding a stake of 49% in LATAM Exchanges Data, Inc. at 31 December 2018 (Note 2.a).

12. Non-current provisions - Other provisions

This section contains the provisions recognised by the Group at 31 December 2018 and 2017 against contingencies inherent to its business. The table below shows the movements during 2018 and 2017.

	Thousands of euros	
	2018	**2017**
Balance at 1 January	4,351	4,984
Provisions recognised in income	-	-
Recoveries credited to income	-	-
Applications	(1,017)	(633)
Balance at 31 December	**3,334**	**4,351**

13. Non-current provisions – Long-term employee benefit obligations

The breakdown of this heading is as follows:

	Thousands of euros	
	31/12/2018	**31/12/2017**
Provisions for employee benefits -		
Performance, loyalty and length-of-service bonuses	427	586
Retirement bonuses	-	-
Health benefits	10,006	10,033
	10,433	**10,619**
Other long-term employee benefits	4,918	54
Total	**15,351**	**10,673**

The heading "Other long-term employee benefits" essentially recognises the incentive-based redundancy plan approved by the Board of Directors in 2018, restricted to a reduced group of employees in the technology area fulfilling certain requirements covering age and length of service within companies of the Group.

Provisions for employee benefits

Certain Group companies have undertaken, under the terms of the Collective Bargaining Agreement (or collective bargaining agreements), to pay their employees certain bonuses to reward performance, loyalty and length of uninterrupted service, subject to certain requirements, in addition to retirement bonuses and health benefits (Note 2-k).

The Group measured the present value of pension obligations using the following criteria:

- Calculation method: "Projected credit unit", this considers each year of service as the generator of an additional unit of a right to remuneration, with each unit being valued separately.
- Actuarial assumptions used: unbiased and mutually compatible. In general, the most important actuarial assumptions used in the calculations are as follows:

	2018	2017
Discount rate	1.20% - 1.89%	1.04% - 1.84%
Mortality tables	PERMF-2000P	PERMF-2000P
Retirement age	65 years	65 years
Expected return on assets (*)	1.20% - 1.89%	1.04% - 1.76%
Increase in health benefit cost	3.5%	3.5%
Future salary increase	3.3%	3.3%
Growth in retirement bonuses	1.0%	1.0%
Life expectancy (**)		
Employees retiring in 2018/2017		
Men	22.92	22.80
Women	27.41	27.29
Employees retiring in 2037/2036		
Men	25.23	25.12
Women	29.50	29.43

(*) Range of market rates applied by the various Group companies, depending on the average length of time until bonus payments fall due in each of the collective bargaining agreements.
(**) Statistical data based on mortality tables.

- Discount rate: The Group determined the discount rate based on the market yields at the end of the reporting period on high quality corporate bonds and debentures of a currency and term consistent with the currency and term of the post-employment benefit obligations. Specifically, the Group used the market yields of the Markit iBoxx € Corporates AA indexes. The weighted average duration of post-employment benefit obligations through retirement plans and health benefits is 13.69 and 26.07 years, respectively.

The sensitivity of post-employment defined benefit obligations for retirement bonuses and health benefits to changes in the main weighted assumptions, by weighting, is as follows.

	Change in assumptions in bp	Increase in assumptions	Decrease in assumptions
Retirement bonuses:			
Discount rate	50	-5.86%	6.43%
Bonus increases	50	6.67%	-6.13%
Health benefits:			
Discount rate	50	-10.66%	12.54%
Health benefit increases	100	18.67%	-14.64%

This sensitivity analysis is based on a change in assumptions, all other things being equal.

The expected maturity of undiscounted post-retirement pension benefits, in thousands of euros, is as follows:

	2019	2020	2021	2022	2023	2024 - 2028
Retirement bonuses	170	147	718	675	455	2,247
Health benefits	115	123	145	183	203	1,203

The changes in the net accumulated balances of these provisions in 2018 and 2017 were as follows:

	Thousands of euros				
	Pension obligations (Assets)/Liabilities - Note 2.k -			Other long-term employee benefits	Total
	Retirement bonuses	Health benefits	Loyalty bonuses		
Balances at 1 January 2017	**(392)**	**9,738**	**743**	**49**	**10,138**
Additions due to business combinations (Note 2.a)					
Net provision (reversal) with a charge (credit) to profit/(loss) (*)	440	465	52	15	972
Net provision (reversal) with a charge (credit) to equity (Note 11)	(162)	(107)	-	-	(269)
Amounts used	73	(63)	(209)	(10)	(209)
Balances at 31 December 2017	**(41)**	**10,033**	**586**	**54**	**10,632**
Net provision (reversal) with a charge (credit) to profit/(loss) (*)	448	353	(5)	5,404	6,200
Net provision (reversal) with a charge (credit) to equity (Note 11)	(494)	(380)	-	-	(874)
Amounts used	37	-	(154)	(540)	(657)
Balances at 31 December 2018	**(50)**	**10,006**	**427**	**4,918**	**15,301**

(*) Net provisions charged to income corresponding to loyalty bonuses relate to the current service cost for the period of €21 thousand (€26 thousand in 2017) – Note 19-, actuarial gains for the amount of €30 thousand (actuarial losses of €22 thousand in 2017) - Note 19 - and an interest cost for the amount of €4 thousand (€4 thousand in 2017) (Note 21).

At 31 December 2018 and 2017, the asset arising from "Long-term employee benefit obligations" corresponding to retirement bonuses for the amount of €50 thousand and €41 thousand respectively, was recognised under "Non-current financial assets" in the consolidated balance sheet (Note 7).

Retirement bonuses

The amounts recognised in the consolidated income statement and directly in consolidated equity in respect of retirement bonuses were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2018	2017
Current service cost (Note 19)	444	441
Interest costs (Note 21)	105	103
Expected return on insurance policies (Note 21)	(101)	(104)
Actuarial (gains)/losses recognised in equity	(494)	(162)
	(46)	**278**

The changes in the fair value of the obligations accrued in respect of retirement obligations were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2018	2017
Present value of obligations at 1 January	7,874	7,795
Current service cost	444	441
Interest costs	105	103
Actuarial (gains)/losses recognised in equity	(590)	(72)
Benefits paid	(481)	(385)
Transfers	(4)	(8)
Present value of obligations at 31 December	**7,348**	**7,874**

The changes in the fair value of the insurance policies linked to the retirement obligations were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2018	2017
Fair value of insurance policies linked to pensions at 1 January	7,915	8,187
Expected return on insurance policies	101	104
Actuarial gains/(losses) recognised in equity	(96)	90
Premiums paid	395	463
Benefits paid and others	(913)	(921)
Transfers	(4)	(8)
Fair value of insurance policies linked to pensions at 31 December	**7,398**	**7,915**

The status of retirement bonus obligations at year-end is set forth below:

	Thousands of euros	
	2018	2017
Present value of obligations	7,348	7,874
Less:		
Fair value of plan assets	7,398	7,915
Provisions (assets) for employee benefits - retirement bonuses (Note 7)	**(50)**	**(41)**

Plan assets comprise qualifying insurance policies at 31 December 2018 and 2017, respectively.

Expected contributions to post-employment benefits for 2019 amount to €410 thousand.

Health benefits

The amounts recognised in the consolidated income statement and directly in consolidated equity in respect of health benefit commitments are as follows:

Long-term employee benefit obligations - Health benefits	Thousands of euros	
	2018	2017
Current service cost (Note 19)	181	295
Interest costs (Note 21)	172	170
Actuarial (gains)/losses recognised in equity	(380)	(107)
	(27)	**358**

The changes in the fair value of the obligations accrued in respect of health benefit commitments were as follows:

Long-term employee benefit obligations - Health benefits	Thousands of euros	
	2018	2017
Present value of obligations at 1 January	10,033	9,738
Current service cost	181	295
Interest costs	172	170
Actuarial (gains)/losses recognised in equity	(380)	(107)
Benefits paid	-	(63)
Present value of obligations at 31 December	**10,006**	**10,033**

The status of health benefit commitments is set forth below:

Long-term employee benefit obligations - Health benefits	Thousands of euros	
	2018	2017
Present value of obligations	10,006	10,033
Less:		
Fair value of plan assets	-	-
Provisions for employee benefits - Health benefits	**10,006**	**10,033**

14. Trade and other payables

The breakdown of this consolidated balance sheet heading at 31 December 2018 and 2017 was as follows:

	Thousands of euros	
	2018	**2017**
Suppliers	21,661	22,491
Suppliers, companies accounted for using the equity method	2	-
Current tax liabilities (Note 16)	43,890	49,065
Other payables-		
Public bodies (Note 16)	13,737	16,127
Wages and salaries payable (Note 19)	7,850	8,059
	21,587	24,186
	87,140	**95,742**

"Trade payables" mainly comprises amounts payable for business related procurements and related costs.

The Directors believe that the carrying amount of the balances grouped under "Trade and other payables" on the consolidated balance sheet are equivalent to their fair value.

15. Other current and non-current liabilities

At 31 December 2018 and 2017, this heading on the consolidated balance sheet mainly comprised deferred income recognised by the various Group companies in 2018 resulting from the impact of the first application due to the entry into force of IFRS 15 (see Note 1.b) and the contract liabilities recognised due to revenue originating from contracts with customer whose execution obligations are partially satisfied as at 31 December 2018 and 31 December 2017.

The changes in contract liabilities in 2018 are as follows:

	Thousands of euros
	2018
Balance at 1 January	**24,420**
Additions	40,043
Recoveries credited to income	**(41,001)**
Balance at 31 December	**23,462**

At 31 December 2018, it is estimated that the contract liabilities will be recovered with a credit to income in the following financial years:

Year	Thousands of euros
	Total
2019	7,105
2020	4,349
2021	3,772
2022	3,058
Thereafter	5,178
Total	**23,462**

In 2018 no major changes were recognised in the contract liabilities resulting from the amendments to the measurement of progression, changes to the estimates or the amendments to the contracts.

16. Tax

a) Consolidated tax group

Under prevailing tax legislation, the consolidated tax group includes Bolsas y Mercados Españoles as Parent Company plus all the consolidated entities as subsidiaries, except Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., Sociedad Unipersonal, Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH, BME Soporte Local Colombia S.A.S., Regis-TR, S.A. and LATAM Exchanges Data, Inc. On 1 January 2017 Bolsas y Mercados Españoles Inntech, S.A.U., formerly Infobolsa, S.A. – Sociedad Unipersonal and Open Finance, S.L., and from the date of its incorporation (on 12 May 2017), BME Regulatory Services, S.A.U., were included in the Consolidated Tax Group. (Note 2-p).

The other Group subsidiaries file individual tax returns in accordance with applicable tax laws and regulations.

At a meeting on 17 December 2014, the Board of Directors of Bolsas y Mercados Españoles unanimously agreed to adopt the Special Companies Group System for Value-Added Tax, exercising the option stipulated in Article 163 sexies. Five of Law 37/1992, as of 1 January 2015. Subsequently, on 29 December 2014, Bolsas y Mercados Españoles applied to pay tax under the Special System, with the Company as Parent and the following as subsidiaries: Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., BME Clearing S.A.U., MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Sociedad de Bolsas, S.A., Bolsas y Mercados Españoles Sistemas de Negociación, S.A. and Bolsas y Mercados Españoles Market Data, S.A.

Effective as of 1 January 2017, the following companies were incorporated into the aforementioned Special System: Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U. and BME Post Trade Services, S.A.U.

b) Years open to inspection

All the Group companies have all operations carried out in the last four years (or since incorporation for those companies set up during this period) open to tax inspections in respect of the applicable taxes.

Due to the different possible interpretations of tax regulations, any tax audits of the years open to inspection that could be carried out in the future by the tax authorities could result in additional tax liabilities, the amount of which cannot be objectively quantified at present. However, Bolsas y Mercados Españoles' tax advisors and Directors consider the possibility of significant additional liabilities arising in this respect to be negligible.

c) Tax receivable and payable

Receivables from and payable to public bodies at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	2018	**2017**
Deferred tax assets:		
Deferred taxes arising on -		
Differences between accounting and tax criteria	14,238	9,065
	14,238	**9,065**
Current tax assets (Note 8):		
Tax assets arising on -		
Income tax withholdings and payments on account	37,098	41,130
Other tax assets	1,753	1,414
	38,851	**42,544**
Other receivables (Note 8):		
Value-added tax	2,709	2,304
Other tax assets	19	20
	2,728	**2,324**

	Thousands of euros	
	2018	**2017**
Deferred tax liabilities:		
Deferred taxes arising on -		
Differences between accounting and tax criteria	5,191	5,100
	5,191	**5,100**
Current tax liabilities (Note 14):		
Tax liabilities arising on -		
Income tax provision	43,890	49,065
	43,890	**49,065**
Other payables (Note 14):		
Tax liabilities arising on -		
Withholdings and contributions payable to social security	11,601	12,924
Value-added tax	2,136	3,203
	13,737	**16,127**

At 31 December 2018 and 2017, "Deferred tax assets" (non-current assets) included, the deferred tax asset resulting from the tax effect of the application of IFRS 15 (see Note 1.b), the temporary differences resulting from the recognition of non-current provisions (Notes 12 and 13) and the contributions to insurance arranged in the way of a supplementary pension, in addition to defined-benefit post-employment obligations held by the Group (see Note 2-k), as well as the provisions performed due to the share-based remuneration plans (Note 19-c).

At 31 December 2018 and 2017, "Deferred tax liabilities" mainly comprised the tax effect of the amortisation of goodwill in Iberclear (Note 5) for the amount of €3,747 thousand. At 31 December 2018, this balance also included €820 thousand relating to the tax effect of the valuation adjustment made to the Group's shareholding in Bolsa Mexicana de Valores, S.A., de C.V. (€729 thousand at 31 December 2017) (Note 7).

At 31 December 2018 and 2017, "Withholdings and contributions payable to Social Security" included withholdings on dividends of €8,030 thousand and €9,476 thousand respectively.

d) Reconciliation of accounting profit to taxable income, and accounting profit to income tax expense

The reconciliation of accounting profit to taxable income and the income tax expense in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	**2017**
Consolidated profit before tax	179,826	202,868
Impact of permanent differences and adjustments	1,537	1,100
Impact of temporary differences:		
Increase	8,398	7,715
Decrease	(8,843)	(12,482)
Consolidated taxable income	180,918	199,201
Offsetting of tax loss carryforwards	(496)	(596)
Average tax rate	24,71%	24,73%
Share	44,707	49,258
Impact of temporary differences and consolidation adjustments	469	1,298
Tax credits	(192)	(139)
Total income tax expense	**44,984**	**50,417**

Income tax payable for 2018 amounted to €44,984 thousand (€50,417 thousand in 2017), and is recognised under "Income tax expense" in the consolidated income statement, in the amount of €44,526 thousand (€50,245 thousand in 2017), with a charge to equity in the amount of €458 thousand (a charge of €172 thousand in 2017). The heading "Income tax expense" in the consolidated income statement for 2018 includes revenue of €802 thousand mostly originating from deductions for research and development activities in 2015 and 2016 (€717 euros in 2017).

As a result of the amendment introduced by Royal Decree Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent measures in the social domain, the Group reversed tax deductible impairments, leading to an increase in income tax in the amount of €382 thousand (€1,138 thousand in 2017) – see Note 2.p-.

At 31 December 2018, the provision in connection with this tax, net of withholdings, amounted to €43,890 thousand (€49,065 thousand in 2017), recognised under "Current tax liabilities" (current liabilities).

All the consolidated companies with registered address in Spain pay income tax at a rate of 25% of taxable income, except for Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., Sociedad Unipersonal, which pays tax at 20% in 2018 and 21% in 2017. At 31 December 2018 and 2017, the taxable income of this company was €8,361 thousand and €8,637 thousand respectively.

e) Tax loss carryforwards

At 31 December 2018 the Group recognised the following tax loss carryforwards which it expects to be able to utilise against taxable income in future years:

Year of Origin	Thousands of euros
2002	1,146
2009	1,283
2010	2,676
2011	2,355
2012	2,524
2013	2,854
	12,838

At 31 December 2018 the Group's Directors decided not to recognise tax loss carryforwards in the consolidated balance sheet.

17. Revenue, other operating income and variable direct costs of operations

a) *Revenue*

In 2017, BME decided to restructure the resources, departments and companies of the Information and IT & Consulting business units, grouping the Groups' various activities related to market information and value added services in the fields of technology, regulation and innovation, according to their nature. The purpose of these changes was to improve efficiency and foster diversification within the Group. As a response to this organisational change, the "Market Data & VAS" business unit was created, combining these activities under the same management. The main effects in the segmented information of 2017 arose from the merger under the Market Data & VAS Business unit of the previous information and IT and Consulting units and the allocation of certain activities, performed until then by the IT and Consulting unit, to the Equities and Corporate units. The breakdown of "Revenue" by business unit for 2017 is presented already adapted to this organisations changes and is as follows.

The breakdown of "Revenue" by business unit is as follows:

	Thousands of euros	
	2018	**2017**
Business unit (Note 18):		
Equities	129,117	143,815
Fixed Income	7,878	8,683
Derivatives	10,793	10,431
Clearing	26,249	27,430
Settlement and Registration	64,500	65,901
Market Data & VAS	67,253	62,995
Corporate Unit	1,569	1,522
	307,359	**320,777**

The revenue included under the Equities business unit includes revenue generated by trading equities on the stock market and post-trading activities, such as breaking down, tallying and documenting trades, before they are sent to the settlement system, as well as the Listing revenue and other services stemming from equity securities.

The Fixed Income unit reflects revenue generated on fixed income security trades performed by the BME fixed income market and the four Spanish stock exchanges, as well as revenue originating in fixed income securities. The amounts included in this Note differ from those disclosed in Note 18 with regard to inter-segment sales, whereby they are included in the revenue attributed to each business unit but later eliminated upon consolidation for the purposes of consolidated revenue disclosed here.

The revenue generated by the Derivatives unit includes revenue obtained on the activities engaged in by MEFF Sociedad Rectora del Mercado de Productos Derivados in the trading of financial derivatives and electricity derivatives.

The revenue generated by the Clearing unit basically consists of revenue obtained by BME Clearing in conducting its clearing, central counterparty and settlement activities for derivatives, government debt repos, OTC interest rate derivatives and electricity and gas derivatives, clearing activities for derivatives on equity spot trades from the Spanish Electronic Trading Platform, as a result of the culmination of BME Clearing's participation in the first phase of the reform of the Spanish securities clearing, settlement and registration system.

The Settlement and Registration business unit includes the revenue resulting from the registration and settlement of the trades performed on the stock markets, on the AIAF Fixed-income market and the Government Debt market, in accordance with the activities carried out by Iberclear.

The Market Data & VAS Business unit includes income arising from primary data services and those relating to value-added services such as the sale of market solutions, financial information services and access to markets, consultancy and other lines of business that boost the Group's diversification into activities that complement its core business.

The amounts included in this Note differ from those disclosed in Note 18 with regard to inter-segment sales, whereby they are included in the revenue attributed to each business unit but later eliminated upon consolidation for the purposes of consolidated revenue disclosed here.

b) *Other operating income*

"Other operating income" included €740 thousand of expenses passed on (€832 thousand in 2017).

c) *Variable direct cost of operations*

"Variable direct costs of operations" includes €8,772 thousand relating to incremental expenses directly attributable to the provision of a service, such as expenses depending on trading or settlement volumes, to revenue distribution agreements and sources of information acquired (€5,236 thousand in 2017).

In 2018, this heading included the costs for settlement and information services billed by T2S to Iberclear, which in 2017 began to be billed from 18 September 2017, the date of the migration to the T2S settlement platform (Note 1.a).

18. Operating segments

Basis of segmentation

Segment disclosures are presented according to the business units into which the Bolsas y Mercados Españoles Group is structured for management purposes.

Because virtually all the Group's operations are performed in Spain, it was not deemed necessary to present information regarding geographic distribution.

Main business segments

The business lines outlined below were established on the basis of the Bolsas y Mercados Españoles Group's organisational structure, primarily taking into account the nature of the services provided.

Taking into account the reorganisation of the Group's activities described above in Note 17, in 2018 and 2017, Bolsas y Mercados Españoles Group focused its activities on the following large business units:

Operating segments (Business units)	Description of the core activity of each business unit
Equities	Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) as well as listing and maintenance services for issuers on the equity market.
Fixed Income	Trading of private fixed-income and public debt securities as well as listing and maintenance services for issuers on the private fixed-income market.
Derivatives	Trading of financial derivatives and electricity derivatives.
Clearing	Clearing, central counterparty and settlement activities of equity securities, financial derivatives, government debt repos, OTC interest rate derivatives and electricity and gas derivatives.
Settlement and Registration	Registration and settlement of equity, private fixed-income and Government Debt trades.
Market Data & VAS	Primary data services and value added services.

Income and expenses that cannot be specifically attributed to any operating line or that are a result of decisions affecting the Group as a whole – including expenses incurred in projects or activities affecting several lines of business – are attributed to a "Corporate Unit".

Ordinary revenue from the provision of services is presented separately for revenue from services rendered to third parties and services provided in-house. The latter component comprises primarily IT consultancy services and the sale of information across Group entities.

Basis and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the Group's Finance Department and generated automatically via by the Group's comprehensive management information system, which is configured for all the parameters necessary to reflect the resources consumed by each business unit. In this way, revenues from the provision of services are allocated based on the nature of the activity carried out, independent of the Group company providing the service. Likewise, costs are allocated on the basis of an internal allocation system and are reviewed on a regular basis to ensure the information is accurate and that the data generated is comparable over time.

The Group's management relies on the "Operating profit (loss)" figure, and the breakdown of revenue and expense used to arrive at this figure, as key performance indicators. Due to the nature of the Group's business and its internal organisational structure, the following balances are allocated to the Corporate Unit: "Property, plant and equipment" and "Other intangible assets", and the related income statement headings (basically "Own work capitalised" and "Depreciation and amortisation"), "impairment losses", "net finance income" and "other assets".

All the Group's non-current assets are in Spain, with the exception of the shareholdings in Bolsa Mexicana de Valores, S.A., de C.V.; OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. and Cámara de Riesgo Central de Contraparte de Colombia S.A. (Note 7), which account for 6.72% of non-current assets at 31 December 2018 (6.7% at 31 December 2017). Lastly, the Group had no material reconciling balances at 31 December 2018 or 31 December 2017.

Segment information corresponding to the 2018 and 2017 financial years is presented below:

	Thousands of euros																	
	Equities		Fixed Income		Derivatives		Clearing		Settlement and Registration		Market Data & VAS		Corporate Unit		Consolidation adjustments		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue:																		
Revenue-	129,690	144,459	7,878	8,683	11,841	11,526	29,317	30,065	64,874	66,265	71,365	67,416	17,219	14,425	(24,825)	(22,062)	307,359	320,777
Services rendered	129,117	143,815	7,878	8,683	10,793	10,431	26,249	27,430	64,500	65,901	67,253	62,995	1,569	1,522	-	-	307,359	320,777
Services rendered among operating segments	573	644	-	-	1,048	1,095	3,068	2,635	374	364	4,112	4,421	15,650	12,903	(24,825)	(22,062)	-	-
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	4,864	5,016	(2,510)	(2,618)	2,354	2,398
Own work capitalised	-	-	-	-	-	-	-	-	-	-	-	-	3,215	1,829	-	-	3,215	1,829
Variable direct cost of transactions	(17)	(3)	-	-	(652)	(685)	(3,073)	(3,104)	(5,900)	(2,590)	(4,660)	(4,685)	-	-	5,530	5,831	(8,772)	(5,236)
Revenue	**129,673**	**144,456**	**7,878**	**8,683**	**11,189**	**10,841**	**26,244**	**26,961**	**58,974**	**63,675**	**66,705**	**62,731**	**25,298**	**21,270**	**(21,805)**	**(18,849)**	**304,156**	**319,768**
Of which:																		
Trading	104,831	119,750	4,287	4,838	11,189	10,841	-	-	-	-	-	-	-	-	-	-	120,307	135,429
Listing and other services	24,842	24,706	3,591	3,845	-	-	-	-	-	-	-	-	-	-	-	-	28,433	28,551
Clearing	-	-	-	-	-	-	26,244	26,961	-	-	-	-	-	-	-	-	26,244	26,961
Settlement	-	-	-	-	-	-	-	-	9,809	16,019	-	-	-	-	-	-	9,809	16,019
Registration	-	-	-	-	-	-	-	-	36,650	34,218	-	-	-	-	-	-	36,650	34,218
Other settlement and registration services	-	-	-	-	-	-	-	-	12,515	13,438	-	-	-	-	-	-	12,515	13,438
Primary information services	-	-	-	-	-	-	-	-	-	-	39,029	39,535	-	-	-	-	39,029	39,535
Value Added Services	-	-	-	-	-	-	-	-	-	-	27,676	23,196	-	-	-	-	27,676	23,196
Other corporate services	-	-	-	-	-	-	-	-	-	-	-	-	25,298	21,270	-	-	25,298	21,270
Consolidation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,805)	(18,849)	(21,805)	(18,849)
Of which: (*)																		
At a specific time or over time during the accounting period	125,760		5,843		11,189		26,244		58,974		65,250		25,042		(21,805)		296,497	
Over time, during several accounting periods	3,913		2,035		-		-		-		1,455		256		-		7,659	

(*)As indicated in Note 1.c, the Group adopted IFRS 15 as of 1 January 2018 retrospectively, adjusting the opening balance on the date of first application without restating the comparative figures for the financial year prior to the initial adoption.

	Thousands of euros																	
	Equities		Fixed Income		Derivatives		Clearing		Settlement and Registration		Market Data & VAS		Corporate Unit		Consolidation adjustments		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Expenses:																		
Staff costs	(23,589)	(25,476)	(3,284)	(3,343)	(4,350)	(3,748)	(6,186)	(5,884)	(9,317)	(9,886)	(13,337)	(12,697)	(15,896)	(9,405)	7	-	(75,952)	(70,439)
Other operating costs	(17,188)	(16,390)	(1,368)	(1,339)	(3,170)	(2,644)	(4,129)	(3,984)	(7,239)	(6,300)	(12,386)	(10,430)	(18,456)	(17,303)	21,798	18,849	(42,138)	(39,541)
Amortisation and depreciation	-	-	-	-	-	-	-	-	-	-	-	-	(7,902)	(8,105)	-	-	(7,902)	(8,105)
Impairment and gains/(losses) on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	(933)	26	-	-	(933)	26
Operating profit/(loss)	**88,896**	**102,590**	**3,226**	**4,001**	**3,669**	**4,449**	**15,929**	**17,093**	**42,418**	**47,489**	**40,982**	**39,604**	**(17,889)**	**(13,517)**	**-**	**-**	**177,231**	**201,709**
Net financial income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206**	**65**	**-**	**-**	**206**	**65**
Share of profit (loss) accounted for using the equity method	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,389**	**1,094**	**-**	**-**	**2,389**	**1,094**
Profit (loss) before tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**179,826**	**202,868**

Inter-segment sales are carried out at prevailing market prices.

19. Staff costs

a) Breakdown

The breakdown of "Staff costs" is provided below:

	Thousands of euros	
	2018	**2017**
Wages, salaries and similar expenses:		
Wages and salaries (*)	52,971	52,776
Share-based payment arrangements (Note 19-c)	1,865	2,542
Termination benefits (**)	7,319	1,368
	62,155	56,686
Social welfare expenses:		
Social Security	10,088	10,088
Contributions to defined contribution plans (Note 2-k)	197	401
	10,285	10,489
Provisions and other staff costs (*)	3,512	3,264
	75,952	**70,439**

(*) The balance of these accounts includes provisions for employee benefits in 2018 of €616 thousand (€784 thousand in 2017) (see Note 13).
(**) The balance includes provisions for incentive-based redundancies made in 2018 for the amount of €5,404 thousand (Note 13).

At 31 December 2018 and 2017, wages and salaries payable to employees amounted to €7,850 thousand and €8,059 thousand respectively, recognised under "Trade and other payables – Other payables" in the consolidated balance sheet (Note 14).

b) Number of employees

The average number of Group employees at 31 December 2018 and 2017 by professional category and gender, was as follows:

	NUMBER OF EMPLOYEES			
	2018 (*)		2017 (*)	
	Men	**Women**	**Men**	**Women**
Senior management	8	1	8	1
Middle management	38	18	38	16
Specialist technicians	272	174	295	180
Auxiliary staff	162	95	132	83
Support staff	1	1	2	-
	481	**289**	**475**	**280**

(*) Does not include employees of Regis-TR, S.A.

In compliance with Additional Provision Twenty-six of Organic Law 3/2007, dated 22 March, regarding effective gender equality, the breakdown of the Board of Directors of Bolsas y Mercados Españoles by gender at 31 December 2018 is: male, 72.73% and female, 27.27%.

The average number of Group employees at year-end, by category, was as follows:

	AVERAGE NUMBER OF EMPLOYEES	
	2018 (*)	2017 (*)
Senior management	9	7
Middle management	55	56
Specialist technicians	448	466
Auxiliary staff	238	211
Support staff	2	8
	752	**748**

(*) Does not include employees of Regis-TR, S.A.

The average number of Group employees in 2018 and 2017 with a disability of 33% or more, by category, was as follows:

	AVERAGE NUMBER OF EMPLOYEES	
	2018 (*)	2017 (*)
Middle management	-	-
Specialist technicians	4	5
Auxiliary staff	1	2
	5	**7**

In 2018 and 2017, the Group made donations towards job placement and job creation activities for disabled persons, in accordance with RD 27/2000, 14 January. Special alternative measures were taken to comply with the 2% level established by Law 13/1982, 7 April, on the Social Inclusion of Disabled Persons, which states that the number of workers with a disability equal to or greater than 33% must not be lower than 2% of the total workforce.

c) Share-based remuneration schemes

Share-based Variable Remuneration Plans

2014-2019 Plan (Pluri-Annual Share-based Variable Remuneration Plan)

On 30 April 2014, for the purposes of article 219 of the consolidated text of the Spanish Corporate Enterprises Act and other applicable legislation, the ordinary General Shareholders' Meeting of BME approved a medium-term variable remuneration plan ("the 2014-2019 Plan") to be applied by the Company and its subsidiaries and intended for members of the management team, including the Executive Directors.

The 2014-2019 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2014-2019 Plan entails assigning a number of shares to beneficiaries in financial years 2014, 2015 and 2016, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2014-2019 Plan.

The number of BME shares to be granted to each 2014-2019 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated, by a coefficient of 0 to 1.5, which will be established based on the performance of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods (i) 1 January 2014 to 31 December 2016, (ii) 1 January 2015 to 31 December 2017, and (iii) 1 January 2016 to 31 December 2018, compared with the performance of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1
3º	0.8
4º	0.6
5º	0
6º	0

The number of units, convertible into shares, attributable to the designated beneficiaries of the 2014-2019 Plan for the first, second and third three-year periods, was allocated in 2014, 2015 and 2016. The maximum number of BME shares included in the 2014-2019 Pluri-Annual Share-based Variable Remuneration Plan is 555,048 shares. The total number of units assigned was 118,768, 112,422 and 124,142, respectively, which corresponds to a maximum number of theoretical shares of 178,152, 168,633 and 186,213, respectively.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2014-2019 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market based performance features, transfer terms under the 2014-2019 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period	Second three-year period	Third three-year period
Price of the underlying asset (euros)	29.83	36.45	29.06
Risk-free interest rate	0.329%	-0.079%	-0.303%
Volatility of underlying shares	26.46%	24.88%	25.77%
Expected duration of the Plan	3 years	3 years	3 years

As a result, the estimated fair value of the equity instruments granted for the first, second and third three-year periods of the Plan (i.e., from 1 January 2014 to 31 December 2016, from 1 January 2015 to 31 December 2017 and from 1 January 2016 to 31 December 2018), which amounted to €3,158 thousand, €4,131 thousand and €3,112 thousand, respectively, according to the latest estimates, are recognised under "Staff costs - Wages, salaries and similar expenses" in the consolidated income statement for beneficiaries of the 2014-2019 Plan who are Group employees (see section a) of this Note), and under "External services - Other expenses" for Plan beneficiaries who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to "Other equity instruments" (see Note 11). At 31 December 2018, the amount recognised under "Staff costs - Wages, salaries and similar expenses" and "External services – Other expenses" in the consolidated income statement amounted to €790 thousand and €250 thousand, respectively (€1,859 thousand and €556 thousand in 2017).

On 31 December 2016, the first three-year period of the 2014-2019 Plan expired. The Appointments and Remuneration Committee, in its 24 May 2017 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the first three-year period of the 2014-2019 Plan. The coefficients were 1,5 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 88,713 shares, equivalent to €2,799 thousand (including €9 thousand attributed to 50% accrued by Bolsas y Mercados Españoles Inntech, S.A.U. until its full incorporation into the Group). In June 2017, once the withholdings set forth in the prevailing tax legislation had been applied, 53,301 shares, equivalent to €1,682 thousand, were applied (see Note 11).

The second three-year period of the 2014-2019 Plan expired on 31 December 2017. The Appointments and Remuneration Committee, in its 28 May 2018 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the second three-year period of the 2014-2019 Plan. The coefficients were 1.5 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 84,286 shares, equivalent to €2,529 thousand. In June 2018, once the withholdings set forth in the prevailing tax legislation had been applied, 50,550 shares, equivalent to €1,517 thousand, were applied (Note 11).

The third three year period of the 2014-2019 Plan matured on 31 December 2018, with the settlement due to take place in 2019.

2017-2020 Plan (Medium-Term Share-Based Variable Remuneration Plan)

On 27 April 2017, for the purposes of article 219 of the consolidated text of the Spanish Corporate Enterprises Act and other applicable legislation, the ordinary General Shareholders' Meeting of BME approved a medium-term variable remuneration Plan ("the 2017-2020 Plan") to be applied by the Company and its subsidiaries and intended for members of the management team, including the Executive Directors.

The 2017-2020 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2017-2020 Plan entails allocating a number of shares to beneficiaries in 2017, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2017-2020 Plan.

The number of BME shares to be granted to each 2017-2020 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated, by a coefficient of 0 to 1.5, which will be established based on the performance of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods 1 January 2017 to 31 December 2019, compared with the performance of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1
3º	0.8
4º	0.6
5º	0
6º	0

The number of units, convertible in shares, attributable to the designated beneficiaries of the 2017-2020 Plan were allocated in 2017. The maximum number of BME shares included in the 2017-2020 Medium-Term Share-Based Variable Remuneration Plan is 190,263 shares. The total number of units allocated was 103,566 which were for a maximum number of theoretical shares of 155,349.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2017-2020 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market based performance features, transfer terms under the 2017-2020 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	Single three-year period
Price of the underlying asset (euros)	28.06
Risk-free interest rate	-0.78%
Volatility of underlying shares	23.11%
Expected duration of the Plan	3 years

As a result, the estimated fair value of the equity instruments granted for the first three-year period of the 2017-2020 Plan (i.e., from 1 January 2017 to 31 December 2019), which amounted to €2,693 thousand, according to the latest estimates, is recognised under "Staff costs - Wages, salaries and similar expenses" in the consolidated income statement for beneficiaries of the 2017-2020 Plan who have accrued said remuneration as Group employees (see section a) of this Note), and under "External services - Other expenses" for the beneficiaries of 2017-2020 Plan who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to "Other equity instruments" (see Note 11). At 31 December 2018, the amount recognised under "Staff costs - Wages, salaries and similar expenses" and "External services – Other expenses" in the consolidated income statement amounted to €685 thousand and €212 thousand, respectively (€683 thousand and €212 thousand in 2017).

The amount recognised in the "External services – Other expenses" account arising from the aforementioned 2017-2020 Plan corresponds in its entirety to the amount accrued by the Executive Directors of the Company (Notes 4 and 20).

2018-2023 Plan (Pluri-Annual Share-based Variable Remuneration Plan)

On 26 April 2018, for the purposes of article 219 of the consolidated text of the Spanish Corporate Enterprises Act and other applicable legislation, the ordinary General Shareholders' Meeting of BME approved a medium- and long-term variable remuneration Plan ("the 2018-2023 Plan") to be applied by the Company and its subsidiaries and intended for members of the management team, including the executive Directors.

The 2018-2023 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2018-2023 Plan entails allocating a number of shares to beneficiaries in financial years 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries of the Plan in 2021, 2022 and 2023, provided that the established requirements are met.

The number of BME shares to be granted to each 2018-2023 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units assigned, by a coefficient of 0 to 1.5, which will be established based on the evolution of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods (i) 1 January 2018 to 31 December 2020, (ii) 1 January 2019 to 31 December 2021, and (iii) 1 January 2020 to 31 December 2022, compared with the evolution of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1.2
3º	0.8
4º	0.4
5º	0
6º	0

The number of units, convertible in shares, attributable to the designated beneficiaries of the 2018-2023 Plan corresponding to the first three-year period, respectively, were assigned in 2018. The maximum number of BME shares included in the 2018-2023 Pluri-Annual Share-based Variable Remuneration Plan is 486,003 shares. The total number of units assigned to the first year of the 2018-2023 plan was 105,820 which correspond to a maximum number of theoretical shares of 158,730.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2018-2023 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market based performance features, transfer terms under the 2018-2023 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December.

In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period
Price of the underlying asset (euros)	26.55
Risk-free interest rate	-0.54%
Volatility of underlying shares	23.62%
Expected duration of the Plan	3 years

As a result, the estimated fair value of the equity instruments granted for the first three-year period of the 2018-2023 Plan (i.e., from 1 January 2018 to 31 December 2020), which amounted to €1,559 thousand, according to the latest estimates, is recognised under "Staff costs - Wages, salaries and similar expenses" in the consolidated income statement for beneficiaries of the 2018-2023 Plan who have accrued said remuneration as Group employees (see section a) of this Note), and under "External services - Other expenses" for the beneficiaries of 2018-2023 Plan who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to "Other equity instruments" (see Note 11). At 31 December 2018, the amount recognised under "Staff costs - Wages, salaries and similar expenses" and "External services - Other expenses" in the consolidated income statement amounted to €390 thousand and €130 thousand, respectively.

The amount recognised in the "External services – Other expenses" account arising from the aforementioned 2018-2023 Plan corresponds in its entirety to the amount accrued by the Executive Directors of the Company (Notes 4 and 20).

20. Other operating costs

The breakdown, by item, of this consolidated income statement heading was as follows:

	Thousands of euros	
	2018	**2017**
External services:		
Leases	2,799	2,854
Information technology equipment and computer software	8,609	7,661
Communications network	3,039	3,062
Travel, marketing and promotion	4,685	4,501
Independent professional services	6,837	5,926
Information services	800	608
Power and utilities	1,282	1,348
Security, cleaning and maintenance	4,533	4,250
Publications	126	124
Other	8,392	8,155
	41,102	38,489
Taxes	660	399
Losses, impairment and changes in trade provisions (Note 8)	376	653
	42,138	**39,541**

"Leases" essentially includes amounts relating to rental expenses for the offices that are the operating headquarters of the various Group companies.

"Taxes" includes adjustments to income tax, adjustments to indirect tax via value added tax on working capital and investments, and taxes other than income tax paid by the various Group companies, essentially on the following items: business activity tax, property tax, and taxes paid to local councils.

The balance of the "Information technology equipment and computer software" account in 2018 and 2017 includes costs relating to IT maintenance and IT services incurred by the Group.

"Other" includes expenses incurred for security, cleaning, messenger services and other sundry expenses as well as the amount paid to members of the Board of Directors of Bolsas y Mercados Españoles for serving on the Board of Directors of Bolsas y Mercados Españoles and other Group companies (Note 4). It also includes the amount accruable to consolidated income and expenses for the estimated fair value of the equity instruments granted to Antonio Zoido Martínez, Joan Hortalá i Arau and Javier Hernani Burzako under the Pluri-annual Shared-Based Variable Remuneration Plans described in Note 19-c above.

At year end 2018 and 2017, prepaid expenses in respect of sundry items were recognised under "Other current assets" on the asset side of the consolidated balance sheet (Note 10).

Fees paid to PricewaterhouseCoopers Auditores, S.L. for the audit of the consolidated financial statements and the separate financial statements of certain Group companies in 2018 amounted to €526 thousand (€505 thousand in 2017). In addition, fees paid to the auditor for other services in 2018 amounted to €44 thousand (€26 thousand in 2017) relating to assurance and other inspections required by the auditor for €6 thousand (€6 thousand in 2017) and the with verification report with a limited scope of security of the Non-Financial Information Statement for the amount of €38 thousand (€20 thousand for the review relating to the Corporate Social Responsibility Report of 2017).

Information on deferred payments to suppliers in commercial transactions

Information on the average payment period to suppliers required by additional provision three of Law 15/2010 is given below, taking into consideration the amendments introduced by Law 31/2014 of 3 December, which amends Spain's Corporate Enterprises Act for the improvement of corporate governance:

	2018	2017
	Days	Days
Average supplier payment period	37.02	34.59
Ratio of transactions paid	37.60	35.29
Ratio of transactions pending payment	24.25	13.39
	Thousands of euros	Thousands of euros
Total payments made	55,174	48,387
Total payments pending	2,515	1,587

Information on leases

Future minimum rentals payable by the Group under operating leases on buildings is as follows:

	Thousands of euros (*)
Within one year	2,536
Between 1 and 5 years	9,336
More than 5 years	22,090

(*)Amounts are not PCI-adjusted.

These buildings, all under operating leases, are mainly the operating headquarters of stock exchange management companies, as well as other buildings used to provide technical support to various Group companies. The main lease contracts expire in 2027 and 2034.

In addition, it should be noted that these contracts do not contain contingent fees, restrictions or purchase options, but do contain annual review clauses for the contract validity periods, using the Consumer Price Index ("CPI") as the reference.

21. Net financial income

The breakdown of net finance income in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	**2017**
Finance income:		
From equity investments (Note 7)	509	408
From marketable securities and other financial instruments		
Commercial paper (Notes 7 and 9)	2	14
Reverse repurchase agreements (own) (Note 9)	(30)	(1)
Guarantees received from participants (Note 7)	10,762	1,631
Term deposits at credit institutions (Notes 7 and 9)	-	2
Other finance income	84	60
	10,818	1,706
	11,327	**2,114**
Finance cost:		
Third-party borrowings	(146)	(132)
Provisions adjustments (Note 13)	(180)	(173)
Guarantees received from participants (Note 7)	(10,762)	(1,616)
	(11,088)	**(1,921)**
Change in fair value of financial instruments	-	-
Exchange gains/(losses)	(33)	(128)
Impairment and gains (losses) on disposal of financial instruments (Notes 2.e.vi and 7)	-	-
Net financial income	**206**	**65**

22. Related party transactions

The entire balance of related party transactions relates to the balances outstanding and transactions entered into with members of the Board of Directors, Senior Management of the Group, according to the information disclosed in Note 4 and those entered into with the investee Regis-TR, S.A. (see Nota 2.a and Appendix I).

In relation to the transactions executed with Regis-TR, S.A., below follows a breakdown of the income and expenses, as well as the balances of the transactions performed in 2018 and 2017:

	Thousands of euros	
	2018	**2017**
Income and expenses		
Services received	367	284
Services rendered	1,755	1,663
Impairment and gains/(losses) on disposal of non-current assets	62	38
	2,184	**1,985**
Other transactions		
Sale of intangible assets	1,293	801
Trade and other receivables	443	366
Trade and other payables	2	74
	1,738	**1,241**

In relation to the balances outstanding and transactions carried out in 2018 with its significant shareholder, Corporación Financiera Alba, S.A., dividends for the net amount of 14,540 thousand euros were paid, once the withholdings set forth in prevailing tax legislation, amounting to 3,411 thousand euros had been applied.

Due to the nature of the core businesses of the Group companies and the vast majority of their shareholders (primarily financial institutions and investment service companies) virtually all related party transactions involve the trading, settlement or issuance of securities, generating revenue for the Group. They are conducted on an arm's length basis.

23. Other information

Other disclosures at 31 December 2018 and 2017 are provided below:

	Thousands of euros	
	2018	**2017**
Collateral and guarantees managed:		
Guarantees received -		
Received as transfer of securities	565,429	1,079,643
Received as pledge	673,675	839,968
	1,239,104	**1,919,611**
Collateral and guarantees received	977,744	1,046,600
Credit facilities:		
Amount available	17,937	27,815
Amount drawn	-	-
	17,937	27,815
	2,234,785	**2,994,026**

The main items included in these accounts are as follows:

1. Guarantees received (in addition to guarantee deposits made in cash (Note 7).

   At 31 December 2018, this item includes the guarantees (in addition to cash guarantees - Note 7) received by BME Clearing and put up by members as collateral for their open positions in their respective segments, totalling €1,239,104 thousand (€1,919,611 thousand at 31 December 2017).

2. Credit facilities balance: includes the undrawn amount of the credit lines of MEFF Tecnología y Servicios set up for members of the electricity settlement clearance market according to prevailing legislation of €17,937 thousand and €27,815 thousand in 2018 and 2017, respectively.

24. Risk management

The main risks to which the Group is exposed from management of various financial markets are discussed below:

a) Operational risks

The risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are classified in terms of their applicability to the BME Group overall, or exclusive identification for one of the business units or corporate areas.

Operational risks affecting all BME Group business units and corporate areas include:

- Fraud risk: This is the risk of action taken to avoid a regulation, which may be detrimental to a third party or to the Group itself.

- IT risk: This is the risk of faults in the IT and electronic systems used by the Group, either internally or in relation to the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this is considered one of the main risks for the BME group.

- Risk of administrative errors: These arise from erroneous calculations, improper execution, faulty manual operations, or because databases have not been updated. They also include any events arising from errors during billing or the monitoring of collections.

The main business risks arising from the specific activities carried on by BME Group companies are detailed below:

- Risks of inadequate functioning of markets:

Possibility of errors arising in trading or supervision processes that prevent adequate overall functioning of the system.

- Risks in relation to the Securities Settlement System (Iberclear):

Risk of errors in settlement processes: These risks may relate to delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited.

Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.

- Risks in relation to the dissemination of information:

These risks chiefly relate to non-availability of systems over a longer period than expected, compromising the dissemination of information from trading systems.

b) Market risk

This is the current or potential risk posed by unfavourable movements in interest rates or changes in prices or share prices, or in variations in trading volumes.

Given that the portfolio of financial assets is mainly made up of reverse repos (with public debt as the underlying asset), exposure to interest risk is minimal given that the maturities are very short-term and this exposure makes it possible for returns to adapt quickly to changes in interest rates. Meanwhile, the lack of borrowings or financial liabilities implying a finance charge means the Group is not exposed to risks in interest rates that could erode its margins or require a specific hedging policy.

The Group does not hold financial instruments in foreign currency other than the non-current financial investments described in Note 7.

The main risks and uncertainties faced by the Group in terms of delivering its strategic targets relate to trends in market trading volumes which, in turn, are its key revenue driver.

Experience shows that financial markets are subject to cycles of varying duration and intensity, which have a significant influence on ongoing business. Additionally, as the Company operates in a highly regulated sector, any changes in the regulatory framework could affect the Company's ability to improve on its results.

The margin calculation model developed by BME Clearing offers a coverage level that is appropriate for stress conditions, in alignment with the high confidence level required under EMIR regulations, which in turn further strengthens the Stress methodology applied under other specific requirements of EMIR. For extreme conditions that go beyond the assumptions of these confidence levels, the CCP supplements its monitoring of coverage with an analysis of sensitivity scenarios.

BME Clearing has procedures in place to recognise changes in market conditions, including an increase in volatility or a reduction in the liquidity of the financial instruments cleared, with a view to quickly adapting the calculation of its margin requirements so as to adequately reflect the new market conditions.

BME Clearing also performs daily back tests for each account with an open position in order to evaluate the coverage of its margins by carrying out a comparison, a posteriori, of the results observed (maximum losses recorded within a determined close-out period) with the forecast results in terms of required initial margins.

Additionally, to assess positions acquired temporarily as guarantees through members, BME Clearing applies a prudential haircut.

BME Clearing applies haircuts for the following market risks:

- Interest rate risk.
- Currency risk.
- Credit spread risk (risk premium).
- Price fluctuation risk.
- Concentration risk.

c) Liquidity and solvency risk

This is the risk that a Group company is unable to meet its payments commitments.

Financially, the Group is able to generate sufficient liquid funds to maintain its short-term liquidity and its medium- and long-term solvency, as shown in the respective consolidated statements of cash flows in the consolidated financial statements. The Group's liquidity position and cash flow generation ability enable it to fund its operating and investing activities with the cash flow generated from the activities without incurring financial debt.

The BME Group's liquidity generation ability is underpinned mainly by the effective collection of a large part of its revenue in very short terms and ongoing cost-containment efforts, guaranteeing its future operations.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for the investment of cash in financial assets with a view to minimising exposure to credit and interest-rate risks. In order to ensure compliance with these objectives and policies, financial management regularly reviews the level of compliance with the investment policies in place. No incidents were detected in 2018 or 2017.

No contractual obligations, contingent liabilities or other firm commitments are known to date that could change the Group's liquidity and capital requirements. There are also no off-balance sheet transactions that could affect the Group's future liquidity.

- Liquidity or funding risk is the risk that the Group will encounter difficulties in meeting its payment obligations or, in order to do so, it is forced to raise funds under onerous conditions.

- Liquidity/market risk is the risk the Group will have one-off losses caused by the selling of assets where the strike price is significantly lower than the expected market price owing to a devaluation caused by frictions in the supply-demand balance.

Due to the specific nature of its activities, BME Clearing has adequate controls in place for both types of liquidity risk, that are consistent, proven and in line with the best - and even the most conservative - practices in financial risk management.

In relation to liquidity/funding risk, BME Clearing has a comprehensive liquidity plan in place, with a chain of guaranteed resources in the event more liquidity is needed than is available in the initial layers of liquidity. Further, on a daily basis, BME Clearing carries out a simulation of the two members with the largest exposure defaulting at the same time, evaluating whether the aforementioned resources would be sufficient.

As mentioned above, the application of haircuts is one way of controlling a lack of liquidity on the market. These are also applied in stress scenarios; therefore, the collateral can easily be liquidated at its reduced value in either a normal market situation or in an extreme situation of falling prices.

There are two types of "market illiquidity". Exogenous illiquidity results from the specific characteristics of a security, from the bid-ask spread affecting settlement of the securities held by market participants. Endogenous illiquidity is specific to each market participant's individual position – the larger a participant's position, the higher the security's illiquidity for this participant.

Using the application of haircuts as a way of controlling exogenous liquidity, BME Clearing also applies endogenous liquidity risk by controlling concentration risk, adjusting upwards the initial margin according to a barometer of exposures measured against the volume of assets traded.

d) Credit or counterparty risk

The risk of a Company debtor failing to meet its payment commitments, or an impairment of its credit rating. Two main risks affecting the BME group are identified:

- Counterparty risk associated with BME Clearing: in its role as a Central Counterparty (CCP), the risk accepted by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk attached to the required margins paid by clearing members with respect to that risk.
- Risk deriving from non-payment of invoices or fees.

  In this respect, the Group's main financial assets, not including the assets for which BME Clearing, S.A. – Sociedad Unipersonal acts as CCP, are assets purchased under repurchase agreements, cash balances, commercial paper, Spanish public debt securities, and trade and other receivables, which represent the Group's maximum exposure to credit risk with respect to its financial assets.

The credit risk associated with assets and liquid funds is minimal, since the counterparties are banks assigned adequate ratings by international credit rating agencies.

- CCP concentration risk. To control risk deriving from its positions in financial assets and exposure to counterparties, BME Clearing continually and efficiently monitors CCP concentration risk at different levels:
  - At an aggregate level;
  - At clearing member level;
  - At the level of each account open at the CCP;
  - In each issuer; and
  - In each country.

In addition to the characteristics of the assets, BME Clearing also takes into account the risks associated with them, including volatility, duration, illiquidity, non-linear price characteristics, "jump-to-default" and "wrong-way-risk", the latter two of which are closely related to credit or counterparty risk.

With regard to counterparty risk related specifically to non-compliance by members, BME Clearing calculates the amount of the default fund every month. This amount is calculated to cover the average risk in a stress test situation calculated for the two members with the greatest exposure to the risk, and increasing this by 10% [1].

Counterparty risk not covered by the CCP's specific financial resources (i.e. margins requested from its members, the default fund and own dedicated resources) is also analysed at BME Clearing. Non-covered counterparty risk is defined as the expected loss deriving from default by the counterparty as a result of insufficient accredited collateral (specific financial resources) that could arise due to one-off market events that trigger a severe risk of default by clearing members.

BME Clearing has an internal model in place to estimate the expected loss due to insufficient guarantees in the event of one-off market or credit events.

With regard to the credit risk associated with the collection in cash of the various charges established by the Group by way of consideration for its services, most customers in terms of billing volume are financial institutions subject to supervision by the competent authorities. Further, as most of these services are settled within the standard settlement period for the corresponding transactions in each market and using the settlement instructions issued by the CCP, in the same way as it instructs the settlement of its own operations, any balances receivable from clients for normal operations are short-lived. In any event, credit risk attributable to trade receivables is reflected in the balance sheet net of the provisions for insolvency estimated by the Group's management based on experience of previous years and their assessment of the prevailing economic situation.

The concentration of credit risk is not significant as the Group's exposure is distributed among a large number of counterparties and customers.

e) Industry risk

Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, penal, legal and tax environment.

The capacity to manage and diversify revenue sources makes it possible to suitably mitigate these risks.

This category also includes the following non-financial risks: environmental risk (possibility of damage being caused to the environment due to the Company's activity) and the risk of corruption and bribery (possibility of non-compliance with ethical standards and regulations normally leading to administrative infringements and even crimes), although these risks have been assessed as largely insignificant at the BME Group.

1 This additional 10% increase will enter into force during the session of 26 February 2019 for the Default Funds calculated from 1 March 2019 and thereafter.

25. Capital management

At 31 December 2018 and 2017, capital managed by the Group comprised primarily capital, reserves and profit for the year attributable to owners of the parent, which are recognised on the consolidated balance sheets under "Equity", less interim dividends and treasury shares, which are also recognised under this heading in the consolidated statement of financial positions (Note 11).

Capital is managed by the Group at two levels: regulatory and financial.

Regulatory capital management is based on an analysis of the minimum capital requirement established by the legislation applicable at 31 December 2018. In this regard, it should be mentioned that as well as the general restrictions on equity established by the consolidated text of the Spanish Corporate Enterprises Act applicable to limited liability companies, for some Group companies the criteria adopted for managing capital comply with the minimum capital requirements established in specific legislation governing these entities, specifically:

1. Article 17,1 of Royal Decree 726/1989, of 23 June, on Stock Exchange Management Companies and Members, Stock Brokers, and Collective Funds, as set out in Royal Decree 363/2007, dated 16 March, establishing that "the capital of stock exchange management companies must be sufficient to ensure that they can fulfil their corporate purpose. The level of borrowings shall at no time exceed the carrying amount of own resources".

2. Article 17 of Royal Decree 1282/2010 of 16 October, regulating official futures and options markets, which is applicable to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad unipersonal), establishes that "the capital of stock exchange management companies must be sufficient to ensure they can fulfil their corporate purpose. The management company's own resources must not be lower than €18 million or the sum of the guarantees provided by the management company." By virtue of the provisions of this article, the Ministry of Economy and Finance, based on the favourable report by the National Securities Market Commission, the Banco de España and the Autonomous Communities of Catalonia, the Basque Country and the Valencian Community, have determined that the own resources of MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) may not be lower than €7,980,000 as established in Order ECC 1556/2016, of 19 July.

3. European Parliament Regulation 648/2012 on, inter alia, central counterparties, came into effect in August 2012. Among other requirements, this Regulation establishes the prudential requirements applicable to central counterparties (CCPs), in order to guarantee that they are safe and solid and comply at all times with the capital requirements. Given that the risks stemming from clearing activities are largely covered by specific financial resources, these capital requirements must ensure that a CCP is at all times adequately capitalised against credit, counterparty, market, operational, legal and business risks which are not already covered by specific financial resources and that it is able to conduct an orderly restructuring or winding down of its operations if necessary.

   In this regard, in December 2012 Commission Delegated Regulation (EU) No 152/2013 of 19 December was approved supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties.

   As indicated in these regulatory technical standards, CCPs will have sufficient capital to cover the sum of the requirements for the winding down or restructuring of their operations, for their operational and legal risks, for their credit, counterparty and market risks, as well as for their business risk.

   BME Clearing, S.A. - Sociedad Unipersonal, as the CCP of the BME Group, has a risk management framework comprising risk management policies, procedures, and systems that enable it to identify, measure, monitor and manage risks to which it is or may be exposed. All risks are first identified by the Internal Risk Committee, which periodically reviews risk management issues related with day-to-day operations, specifically the level of compliance with risk management criteria, models and parameters.

   In the case of BME Clearing, S.A. - Sociedad Unipersonal, in the framework of the process of evaluating and confirming the licence to operate as a CCP required by the EMIR and carried out by the National Securities Market Commission and the College of Regulators established for this purpose, it was concluded that the own resources of BME Clearing, S.A., - Sociedad Unipersonal, were sufficient and complied with the capital requirements included in the regulatory technical standards report regarding the capital requirements of CCPs.

4. Regulation (EU) No 909/2014 of the European Parliament and Council on improving securities settlement in the European Union and on central securities depositories (CSD) was published in July 2014. Hence, this Regulation establishes that the capital, together with retained earnings and reserves of a CSD, will be proportional to the risks stemming from the activities of the CSD and will be at all times sufficient to ensure that the CSD is adequately protected against operational, legal, custody, investment and business risks so that the CSD can continue to provide services as a going concern and ensure an orderly winding down or restructuring of the CSD's activities over an appropriate time span of at least six months under a range of stress scenarios.

The Regulation also requires that CSDs maintain a plan for the raising of additional capital should its equity capital approach or fall below the requirements set forth above, and for the orderly winding down or restructuring of its operations and services where the CSD is unable to raise new capital. This plan must be approved by the Board of Directors of the CSD and, where applicable, will be the object of regular updates.

On 11 November 2016 Commission Delegated Regulation (EU) No 2017/390 was published supplementing Regulation (EU) No 909/2014 with regard to regulatory technical standards on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services.

At 31 December 2018 and 2017, the various Group companies subject to the aforementioned special rules on the availability of their own resources complied with the requirements established therein. In respect of Iberclear acting as the CSD for BME Group, although the capital requirements will not be applicable to the referred company in the application for authorisation to act as a CSD, Iberclear has considered the capital requirements in accordance with the technical standards mentioned above, complying with said requirements as of 31 December 2018 and 2017.

Capital management from a financial perspective aims to optimise value creation in the Group and its business segments, and maximise value creation for shareholders.

In order to adequately manage the Group's capital, it is necessary to analyse future borrowing requirements based on estimates that allow projections of minimum capital requirements for regulatory and financial purposes to be made. These projections can then be used to devise the necessary management measures to reach these capital targets.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for investment of cash in financial assets with a view to minimising exposure to credit and interest-rate risks.

With regard to capital management processes, Bolsas y Mercados Españoles has a treasury department in its financial area, which is responsible for investing in financial assets on behalf of all Group companies.

In order to ensure these objectives and policies are adhered to, financial management regularly reviews the level of compliance with the investment policies in place. No issues in this regard have been detected during 2018 and 2017.

26. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1-b). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

Financial Year 2018

	Thousands of euros								
	DATA AT 31 DECEMBER 2018								
	Registered address	Direct ownership interest	Indirect ownership interest	Capital	Share premium and reserves	Interim dividend	Results		Other equity
							Operating	Net	
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	21,348	7,471	(44,447)	56,926	47,066	1,230
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	8,564	2,930	(10,746)	9,803	11,309	841
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) (1)	Bilbao	100.00%	-	2,957	3,413	(10,078)	8,067	10,432	382
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) (1)	Valencia	100.00%	-	4,111	1,291	(5,089)	1,586	5,155	509
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	114,380	22,407	(28,481)	41,335	31,538	2,545
Instituto Bolsas y Mercados Españoles, S.L., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	10	14	-	(18)	(15)	168
Bolsas y Mercados Españoles Market Data, S.A (1) (2)	Madrid	49.71%	50.29%	4,165	750	(23,195)	36,651	27,512	295
Bolsas y Mercados Españoles Renta Fija, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	3,005	3,524	(2,239)	3,412	2,687	1,871
BME Clearing, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	18,030	24,501	(9,607)	14,531	11,114	1,606
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	60	548	-	1,816	1,397	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	6,650	2,302	(4,400)	2,999	4,534	728
BME Servicios Corporativos, S.A. (1) (3)	Madrid	-	100.00%	25,000	25,364	-	700	537	74
Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) (1) (4)	Madrid	100.00%	-	331	(11,893)	-	(30)	(272)	354
BME Post Trade Services, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	60	13,528	-	700	649	(11,478)
LATAM Exchanges Data, Inc	Miami	51%		873	-	-	(249)	(249)	2
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. (1)	Madrid	-	100.00%	60	321	(1,260)	2,375	1,779	304
Sociedad de Bolsas, S.A. (1)	Madrid	-	100.00%	8,414	1,467	(2,684)	4,046	3,797	1,355

(1) Data taken from the separate financial statements for the year ended 31 December 2018, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal and BME Post Trade Services, S.A. - Sociedad Unipersonal and LATAM Exchanges Data, Inc.

(2) Indirect shareholding via the Spanish stock exchange management companies, AIAF Mercado de Renta Fija, Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.- Sociedad Unipersonal and Sociedad de Bolsas, S.A. Data obtained from the financial statements of Bolsas y Mercados Españoles Market Data, S.A - Sociedad Unipersonal corresponding to the year ended 31 December 2018, which are subject to audit.

(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal; Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal.

(4) Data obtained from the financial statements of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal and its subsidiaries at 31 December 2018, the separate financial statements of which, in addition to those of Open Finance, S.L., are subject to audit (the following subsidiaries are not subject to audit: Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH, BME Regulatory Services, S.A.U. and BME Soporte Local Colombia, S.A.S.).

Financial Year 2017

	Thousands of euros								
	DATA AT 31 DECEMBER 2017								
	Registered address	Direct ownership interest	Indirect ownership interest	Capital	Share premium and reserves	Interim dividend	Results		Other equity
							Operating	Net	
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	21,348	7,077	(55,151)	68,981	58,212	1,082
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	8,564	2,912	(13,769)	14,896	14,643	785
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) (1)	Bilbao	100.00%	-	2,957	3,394	(10,465)	8,682	10,863	331
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) (1)	Valencia	100.00%	-	4,111	1,195	(5,687)	2,891	5,846	473
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	114,380	22,144	(28,686)	40,731	31,179	2,280
Instituto Bolsas y Mercados Españoles, S.L., (Sociedad Unipersonal) (1)	Madrid	100.00%	-	10	10	-	36	26	148
Bolsas y Mercados Españoles Market Data, S.A (1) (2)	Madrid	51.00%	49.00%	4,061	701	(20,321)	33,735	25,315	245
Bolsas y Mercados Españoles Renta Fija, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	3,005	3,527	(2,790)	4,096	3,169	1,792
BME Clearing, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	18,030	24,475	(10,601)	15,625	11,751	1,437
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) (1)	Barcelona	100.00%	-	60	546	-	1,023	784	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	6,650	2,296	(3,868)	3,189	4,366	627
BME Servicios Corporativos, S.A. (1) (3)	Madrid	-	100.00%	25,000	25,267	-	1,323	996	52
Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) (1) (4)	Madrid	100.00%	-	331	12,044	(1,500)	3,078	2,168	289
BME Post Trade Services, S.A. (Sociedad Unipersonal) (1)	Madrid	100.00%	-	60	13,538	-	836	777	(12,255)
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. (1)	Madrid	-	100.00%	60	317	(1,577)	2,753	2,065	265
Sociedad de Bolsas, S.A. (1)	Madrid	-	100.00%	8,414	1,551	(3,033)	4,319	3,281	1,202

(1) Data taken from the separate financial statements for the year ended 31 December 2017, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal and BME Post Trade Services, S.A. - Sociedad Unipersonal.
(2) Indirect shareholding via the Spanish stock exchange management companies, AIAF Mercado de Renta Fija, Bolsas y Mercados Españoles Renta Fija, S.A. – Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal).
(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal; Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal.
(4) Data obtained from the financial statements of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal and its subsidiaries at 31 December 2017, the separate financial statements of which, in addition to those of Open Finance, S.L., are subject to audit (the following subsidiaries are not subject to audit: Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH, BME Regulatory Services, S.A.U. and BME Soporte Local Colombia, S.A.S.).

Financial Year 2018

	Registered address	Ownership interest	Value of holding	Thousands of euros								
				DATA AT 31 DECEMBER 2018								
				JOINT VENTURE INVESTMENT DATA								
								Equity				
				Assets	Liabilities	Revenue	Expenses	Capital	Share premium and reserves	Results		Non-controlling interests
										Operating	Net	
Equity method:												
Regis-TR, S.A. (1)	Luxembourg	50.00%	6,661	16,921 (2)	3,600 (2)	16,196	(11,396) (3)	3,600	4,922	6,454	4,799	-

(1) Data taken from the financial statements for the year ended 31 December 2018, which are subject to audit.
(2) The assets balance comprises €3,455 thousand of "Non-current assets" and €13,467 thousand of "Current assets". Liabilities comprise €3,491 thousand of "Current liabilities" and €109 thousand of "Non-current liabilities".
(3) Includes expenses with the Bolsas y Mercados Españoles Group of €1,755 thousand.

Financial Year 2017

	Registered address	Ownership interest	Value of holding	Thousands of euros								
				DATA AT 31 DECEMBER 2017								
				JOINT VENTURE INVESTMENT DATA								
								Equity				
				Assets	Liabilities	Revenue	Expenses	Capital	Share premium and reserves	Results		Non-controlling interests
										Operating	Net	
Equity method:												
Regis-TR, S.A. [1]	Luxembourg	50.00%	4,287	10,787 [2]	2,213 [2]	11,194	(8,978) [3]	3,600	2,758	3,041	2,216	-

(1) Data taken from the financial statements for the year ended 31 December 2017, which are subject to audit.
(2) The assets balance comprises €1,794 thousand of "Non-current assets" and €8,993 thousand of "Current assets". Liabilities comprise €55 thousand of "Current liabilities" and €2,158 thousand of "Non-current liabilities".
(3) Includes expenses with the Bolsas y Mercados Españoles Group of €1,663 thousand.

Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal

This company was incorporated in Madrid on 7 June 1989, under the simultaneous incorporation procedure with the name of Sociedad Promotora de la Sociedad Rectora de la Bolsa de Valores de Madrid, S.A, and on 27 July 1989 then became Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2018 and 2017 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2018, the Company also held long-term shareholdings in Sociedad de Bolsas, S.A and Bolsas y Mercados Españoles Servicios Corporativos, S.A. with ownership interests of 25%, and 48%. In 2017, the Company sold its ownership interest of 90% in Visual Trader Systems, S.L. to Bolsas y Mercados Españoles, prior to the absorption of Bolsas y Mercados Españoles Inntech, S.A.U.).

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,408 new shares, each with a par value of €50, equivalent to a 10.35% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the Company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. increased to 10.09% at 31 December 2018.

Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal

Sociedad Promotora de la Bolsa de Valores de Barcelona, S.A. was incorporated on 8 June 1989, subsequently becoming Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. on 25 July 1989.

In 2009, the Company acquired 15,027 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2018 and 2017 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2018 and 2017, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A. In 2017, the company liquidated its long-term shareholding of 100% in Centro de Cálculo de Bolsa, S.A.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. increased to 9.93% at 31 December 2018.

According to the resolutions adopted by the Company's Board of Directors at its meetings of 25 June and 2015 and 27 July 2015, throughout 2015 the book-entry register of the shares of SICAVs (open-ended collective investment schemes), equity securities listed for trading exclusively on the Barcelona Stock Exchange, and non-listed securities registered on the SCLBARNA system, were progressively transferred to Iberclear. This process was completed in 2016 with the transfer of the remaining equity securities and the government debt securities of the Generalitat de Catalunya, and the Company ceased providing Clearing and Settlement services in 2016.

Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal

This company was incorporated as a public limited company on 26 July 1989.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2018 and 2017 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2018 and 2017, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. increased to 9.93% at 31 December 2018.

In 2015, the Sole Shareholder resolved to concentrate in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal all the activities relating to central securities depositaries, including those that until that time had been performed by the Book-entry, Clearing and Settlement service of the Sociedad Rectora de la Bolsa de Valores de Bilbao ("SCL BILBAO"). As a result, in 2015, the book-entry register was progressively transferred to Iberclear, and this process concluded in 2016 with the transfer of the remaining equity securities listed for trading exclusively on the Bilbao stock exchange and the government debt issues made by the Basque government and provincial councils with the Company ceasing to provide book-entry, clearing and settlement services in 2016.

Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal

This company was incorporated as a public limited company on 25 July 1989.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2018 and 2017 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2018 and 2017, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A. In 2017, the Company sold its ownership interest of 10% in Visual Trader Systems, S.L. to Bolsas y Mercados Españoles, prior to the absorption of Bolsas y Mercados Españoles Inntech, S.A.U.).

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. increased to 9.93% at 31 December 2018.

In 2015, the sole shareholder resolved to concentrate all activities carried out in this area by the central securities depositaries in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal, including those that had previously been carried out by the Book-entry, Clearing and Settlement service of the Sociedad Rectora de la Bolsa de Valores de Valencia ("SACL"). As a result, in 2015 all existing positions in the SACL were progressively transferred to Iberclear. This process was completed on 25 January 2016, resulting in the termination of the agreement signed between Banco de España and Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. – Sociedad Unipersonal on 18 February 2008.

The most important information concerning the main companies in which the four stock exchange management companies have shareholdings is given below.

Sociedad de Bolsas, S.A.

Sociedad de Bolsas, S.A. was incorporated in Madrid on 16 March 1989 under the simultaneous incorporation procedure under the name of Mercado Continuo, S.A. Its initial share capital (€8,414 thousand) was subscribed and paid up by the four Spanish stock exchange management companies.

On 1 February 1990, its share capital was redistributed through the purchase and sale of shares between the four Spanish stock exchange management companies, in accordance with Law 24/1988, of 28 July, on the Securities Market which stated that the Company's share capital must be owned by the four stock exchange management companies in equal parts.

On 26 February 1990, Mercado Continuo, S.A. changed its name to Sociedad de Bolsas, S.A., and partially modified its articles of association to adapt them to the requirements of Article 50 of Law 24/1988, of 28 July, on the Securities Market and Articles 18 to 22 of Royal Decree 726/1989, of 23 June, on Stock Exchange Management Companies and Members, Stock Brokers and Collective Funds.

The Company's activity basically involves operating the programs enabling the trading of securities listed on the electronic stock market of the four official Spanish stock exchanges, and supervising the members of the market in relation to these securities.

In order to provide an additional service to market members, at the end of 1991 the Company also acquired the MEFF-30 and FIEX-35 indices, combining them into a single index, the IBEX 35®, which underpins the trading of futures and options on stock markets. The Company owns the IBEX indices and is responsible for managing, supervising and marketing them, and publishing them on a daily basis.

The company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group. In continuance of the aforementioned Protocol, on 20 June 2017, the Second Information Dissemination Protocol was implemented, by virtue of which Bolsas y Mercados Españoles Market Data, S.A. assumes the promotion and marketing of the use of the IBEX indices, owned by Sociedad de Bolsas, S.A.

In January 2018, the Company subscribed to a capital increase of Bolsas y Mercados Españoles Market Data, S.A., maintaining a shareholding of 2.5% in said company at 31 December 2018.

At 31 December 2018 and 2017, it held a long-term 11% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A.

Bolsas y Mercados Españoles Sistemas de Negociación, S.A.

Bolsas y Mercados Españoles Sistema de Negociación, S.A. was incorporated in Madrid, for an indefinite period of time, on 21 February 2006, as Mercado Alternativo Bursátil, S.A., via the simultaneous incorporation procedure, by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. On 6 May 2010 it adopted its current corporate name.

Its corporate purpose is to organise, manage and oversee the multilateral trading facilities, the Alternative Equity Market (MAB for its initials in Spanish) and Latin American Securities Market (Latibex), and to take responsibility for their organisation and internal functioning, for which it shall be endowed with the necessary resources. The company is therefore legally considered the management company of the MAB and Latibex.

The creation of the MAB was authorised by the Spanish Cabinet, based on a proposal made by the CNMV on 30 December 2005. It is a nationwide organised trading system. Its organisation and operations are supervised by the CNMV and its overriding purpose is to provide an organised system for arranging, settling, clearing and registering trades in:

a. Shares and other instruments of Collective Investment Institutions

b. Securities and instruments issued by or relating to small-cap entities

c. Other securities and instruments which, because of their special characteristics, require specific regulations

MAB currently has four separate securities trading segments:

a. Open-ended collective investment schemes (SICAVs) and hedge funds (HF).

b. Venture capital firms.

c. Growth companies.

d. Listed real-estate investment trusts (REITs).

Latibex, created pursuant to authorisation by the Council of Ministers on 29 November 1999, is a nationwide organised trading system. Its organisation and operations are supervised by the CNMV and its overriding purpose is to provide a multilateral facility for arranging, settling, clearing and registering trades involving securities issued by entities domiciled in Latin America and previously admitted to trading on a stock exchange in Latin America.

As a prerequisite to becoming the management company of the aforementioned multilateral trading facilities, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal y Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal acquired 100% of this company's capital, in equal shares, from Bolsas y Mercados Españoles (until then, the company's sole shareholder). As a result, the four stock exchange management companies became the company's shareholders, each holding a 25% stake.

On 16 April 2010, the company was authorised by the CNMV to transform MAB and LATIBEX (formally organised trading systems) into multilateral trading facilities. Subsequently, on 6 May 2010, the company executed the change in its corporate purpose in a public instrument, expanding it to include organising, managing and overseeing the Latibex market, and adopting its current corporate name.

The Real Estate Investment Trusts ("REITs") Trading segment on the MAB was inaugurated on 28 November 2013.

Bolsas y Mercados Españoles Market Data, S.A.

Bolsas y Mercados Españoles Market Data, S.A. was incorporated in Madrid on 23 May 2008 for an indefinite period with a share capital of €61 thousand (consisting of 1,220 shares with a par value of €50 each). Its sole shareholder is Bolsas y Mercados Españoles.

On 22 December 2010, as sole shareholder, the Company decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50, fully subscribed and paid up by the Company). The public deed for the capital increase was executed on 28 December 2010, submitted to the Companies Register on 29 December 2010 and placed on file on 3 January 2011.

During 2011, the Company decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50). This share capital increase was fully subscribed and paid up by the Madrid, Barcelona, Bilbao and Valencia stock exchange companies, Bolsas y Mercados Españoles Renta Fija .S.A. – Sociedad Unipersonal, formerly AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, BME Clearing, S.A. - Sociedad Unipersonal, formerly MEFF Sociedad Rectora de Productos Derivados de Renta Variable, S.A. - Sociedad Unipersonal and Bolsas y Mercados Españoles, and registered in the Madrid Companies Register on 16 August 2011.

In January 2018, the shareholders decided to increase the amount of share capital by €104,150 (in the form of 2,083 new shares, each with a par value of €50). This capital increase was fully subscribed and paid up by Sociedad de Bolsas, S.A. and was executed in an instrument dated 9 February 2018 and entered in the Madrid Companies Register on 8 March 2018.

At 31 December 2018, the Company's shareholders and their ownership interests were as follows:

Company	Ownership interest
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	49.71%
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal	10.09%
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal	9.93%
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal	9.93%
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal	9.93%
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal	7.77%
Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal	0.14%
Sociedad de Bolsas, S.A.	2.50%

The Company took on the information dissemination business on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group. In continuance of the aforementioned Protocol, on 20 June 2017, the Second Information Dissemination Protocol was implemented, by virtue of which Bolsas y Mercados Españoles Market Data, S.A. assumes the promotion and marketing of the use of the IBEX indices, owned by Sociedad de Bolsas, S.A.

The company's corporate purpose is:

a. To receive, process, prepare, manage, disseminate, market and distribute any type of financial, economic, stock market, monetary and commercial information of any type by electronic or other means.

b. To prepare, develop and market programs, computer materials, systems or other elements designed to capture, handle, disseminate and use all kinds of financial, economic, stock market, monetary and commercial information.

c. To receive, process, develop, handle, disseminate and distribute information on transactions in financial instruments and communicate this information to all kinds of national or international, public or private institutions and authorities.

d. To perform consultancy and advisory activities related to the procedures, development and management of the aforementioned activities.

Such activities may be carried out directly by the company or via interests in the activities of other companies with a similar corporate purpose, to which end it may promote the incorporation of such companies or take equity interests in them.

The Company will carry on the activities comprising its corporate purpose without prejudice to the application of the supervisory and legal regimes, administrative control and any inspections to which the information on these activities may be subject.

"LATAM Exchanges Data, Inc." was incorporated on 15 May 2018 as a company in accordance with the laws of the State of Florida. The main registered office of the company is in the city of Miami, (United States of America). The fully subscribed and paid up shares total $1,000 thousand (€873 thousand on 31 December 2018), distributed among 100 ordinary shares which were fully subscribed and paid up by Bolsas y Mercados Españoles Market Data, S.A. (51%) and Bolsa Mexicana de Valores, S.A.B. de Capital Variable (49%).

The corporate purpose of this company is the design, commercialisation and sale of the information pertaining to the Latin American markets.

BME Clearing, S.A. – Sociedad Unipersonal

MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, was incorporated on 7 December 1988 under the name OM Ibérica, S.A., and commenced operations on 8 November 1989.

Its principal activity was the management of the Equity Derivative Financial Products Market and the clearing and settlement house for operations in this market. In 2010, as a result of publication of Royal Decree 1282/2010, of 15 October, regulating official secondary markets for futures, options and other derivative financial instruments, the company amended its Articles of Association, mainly to include the change in its name to MEFF Sociedad Rectora de Productos Derivados, S.A. and the inclusion in its corporate purpose of the performance of activities set forth in Article 59 of the Securities Market Act, as well as those provided by Article 44 ter relating to the central counterparty activities stipulated in said Royal Decree, its corporate purpose now being understood to include all activities permitting this purpose to be fulfilled and which are within the law, in particular those rules governing the markets at any given time.

In this connection, on 21 December 2010, the CNMV published in the Official State Gazette (BOE) the new official secondary futures and options markets (MEFF) Rule Book, which entered into force on 24 January 2011.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 6,473 new shares, each with a par value of €50, equivalent to a 7.97% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A.

On 28 June 2012, the Boards of Directors of MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal and the company approved the merger and takeover by the company of MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal with the latter being wound up through dissolution without liquidation and the transfer en bloc of its assets and liabilities to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, which has acquired through universal succession the rights and obligations of MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal.

Further, on 28 and 29 June 2012, the Boards of Directors of the company and MEFF Tecnología y Servicios, S.A. – Sociedad Unipersonal, agreed the partial spin-off of MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal in favour of the company. This involved transferring the business unit comprising the derivatives market technical and human resources to MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal, in favour of the company, which acquired all the assets and liabilities, rights and obligations of this business unit through universal succession.

The public deed of merger and partial spin-off was executed on 26 November 2012, and filed with the Barcelona and Madrid Companies Registers on 14 and 28 December 2012.

The merger and partial spin-off described above were conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets, providing the technical services on which this market is based, to increase the Group's efficiency and reorganise the activities of the companies involved.

Lastly, as a result of the new fixed income securities central counterparty activities carried out by the Company, its Rule Book was amended on 31 October 2012.

On 27 June 2013, the Board of Directors of BME Clearing, S.A. – Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, agreed the partial spin-off of BME Clearing, S.A. – Sociedad Unipersonal (the spun off company) to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal (the beneficiary). This involved transferring the business unit comprising the assets and technical and human resources necessary to manage the official secondary market for the derivative products of BME Clearing, S.A. – Sociedad Unipersonal to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession.

The deed for the partial spin-off was executed on 9 September 2013 and filed with the Madrid Companies Register on 30 September 2013. From that date, BME Clearing's corporate purpose is to intervene on its own account in the clearing and settlement of securities or financial instruments as set forth at that time in Article 44 ter of the Securities Market Act and the implementing provisions thereof applicable at any given time.

The partial spin-off described above was conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets and the technical services on which this market is based with a view to making the supervised Group's structure more efficient and reorganising the activities of the companies involved.

On 13 December, transferred its shareholding in Bolsas y Mercados Españoles Market Data, S.A. and Bolsas y Mercados Españoles Servicios Corporativos, S.A. to MEFF Sociedad Rectora del Mercados de Productos Derivados, S.A.U.

On 16 September 2014, the CNMV informed BME Clearing S.A. - Sociedad Unipersonal that it had been granted authorisation to perform clearing services as a central counterparty, in accordance with article 14 of Regulation (EU) 648/2012 of the European Parliament and Council, of 4 July 2012, relative to OTC derivatives, central counterparties and trade repositories, and point 1 of article 44 ter. of Law 24/1988, of 28 July, on the Securities Market.

On 29 July 2015, the CNMV informed BME Clearing S.A. - Sociedad Unipersonal that it had been granted authorisation to extend its activities, under Article 15 of EMIR, to provide services as central counterparty for equity (Equity Segment) and derivatives financial instruments (OTC) on interest rates (IRS), likewise authorising the amendment of the Rule Book of BME Clearing S.A. – Sociedad Unipersonal, the General Conditions of the Equity Segments and the General Conditions of the Derivatives (OTC) Segment on interest rates.

Therefore, with the entry into force of the reform of the Spanish securities clearing, settlement and registration system from 27 April 2016, the Company incorporated into its activity the clearing of trades on securities admitted to trading on the Spanish Stock Exchanges and on the MAB and Latibex multilateral trading systems.

On 1 June 2017, BME Clearing S.A.U. obtained authorisation to extend its services as central counterparty to GAS contracts, with physical delivery, which form part of the CCP's Energy Segment.

MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal

MEFF Tecnología y Servicios, S.A, formerly Mercado Español de Futuros Financieros Services, S.A, was incorporated with limited liability on 4 July 1996.

On 11 May 2006, MEFF Tecnología y Servicios signed a contract with Red Eléctrica de España, S.A., through which this latter company authorised MEFF Tecnología y Servicios to operate as a third party authorised to make collections and payments, and issue the invoices, as well as receive and manage collateral, in its role as CCP between electricity suppliers and purchasers, referred to as Market Subjects. Red Eléctrica de España, S.A. is the operator of the Spanish electricity system and, as established by Law 54/1997 amended by Royal Decree Law 5/2005, is responsible, inter alia, for the settlement and notification of payments and collections, as well as the receipt and management of collateral, where applicable, for operations performed by Market Subjects in relation to system adjustments and the power guarantee.

On 28 and 29 June 2012, the Boards of Directors of MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal and the company, agreed the partial spin-off of the company to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal. This involved transferring the business unit comprising the derivatives market technical and human resources to MEFF Sociedad Rectora de Productos Derivados, S.A. – Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession. The public deed of the partial spin-off was executed on 26 November 2012, and filed with the Barcelona and Madrid Companies Registries on 14 and 28 December 2012.

Also in 2012, MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal was absorbed by MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal - see above - and this, together with the partial spin-off described above was conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets and the technical services on which this market is based with a view to making the supervised Group's structure more efficient, and to reorganise the activities of the companies involved.

On 25 April 2017, the Sole Shareholder (Bolsas y Mercados Españoles) de MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal and MEFF Euroservices, S.A., - Sociedad Unipersonal, approved the merger of the latter by the former, a merger that was notarised on 29 May 2017 and recorded in the Barcelona Companies Register on 10 July 2017.

Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal

The corporate purpose of Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal after the merger with Sistema Electrónico de Negociación de Activos Financieros, S.A, as described below, is to supervise, manage and operate the fixed income securities market, AIAF MERCADO DE RENTA FIJA (the "AIAF Market"), to supervise, manage and operate the multilateral trading facility Sistema Electrónico de Negociación de Activos Financieros (SENAF.SMN), and to supervise, manage and operate the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility and the activities performed through this platform.

AIAF Mercado de Renta Fija is an official, active, regulated and decentralised secondary market for fixed income securities. It was authorised by a Ministry for the Economy and Finance Order, of 1 August 1991, and its official status was recognised in accordance with the Transitional Provision Six of Law 37/1998, of 16 November, of the Reform of Act 24/1988, of 28 July, of the Securities Market.

On 22 April 2009, the Board of Directors of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and Sistema Electrónico de Negociación de Activos Financieros, S.A. (absorbed company), approved the merger by absorption of Sistema Electrónico de Negociación de Activos Financieros, S.A. by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, with the former being wound up through dissolution without liquidation.

At the meetings held on 25 May 2009, the sole shareholder of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and the General Shareholders' Meeting of Sistema Electrónico de Negociación de Activos Financieros, S.A. approved the merger of the two entities through the absorption of Sistema Electrónico de Negociación de Activos Financieros, S.A. by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, and the winding up by dissolution without liquidation of the former, and the subsequent transfer en bloc of the absorbed company's assets and liabilities to the absorbing company, which acquired all the rights and obligations of the absorbed company by universal succession.

The public merger deed was executed on 17 July 2009 and filed with the Companies Register on 22 July 2009.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 113 new shares, each with a par value of €50, equivalent to a 0.14% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the Company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. Due to the entry into the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 0.14% at 31 December 2018.

Since 7 October 2013, AIAF Mercado de Renta Fija is the governing body of the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility.

In addition, at 31 December 2018 and 2017, the company held a long-term 9% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad de Sistemas) was incorporated on 7 June 2000 under the name Promotora para la Sociedad de Gestión de los Sistemas Españoles de Liquidación, S.A.

This company's initial corporate purpose resulted from Act 44/2002 of 22 November, on measures for the reform of the financial system (the Spanish Finance Act), which established the legal changes necessary to complete the integration of the registration, clearing and settlement systems and designed a legal regime to enable the creation of the Sociedad de Sistemas (Systems Company) by integrating the S.C.L.V. and CADE.

In application of the aforementioned provisions of the Financial Systems Act, the Universal Extraordinary General Meeting held on 22 January 2003 adopted, inter alia, the following resolutions: to change the company's name to "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A." and to amend the corporate purpose and the articles of association and to increase the company's share capital by means of non-cash contributions, namely: (i) 100% of the share capital of the S.C.L.V., contributed by Bolsas y Mercados Españoles; and (ii) the necessary resources to carry out the relevant public debt book-entry market functions consisting, inter alia, of goodwill in respect of government debt clearing, settlement and registration activity transferred from CADE to Sociedad de Sistemas, contributed by Banco de España.

Lastly, with economic effect from 1 January 2003, Sociedad de Sistemas merged and absorbed the S.C.L.V. under the terms laid down in the Financial Systems Act.

Sociedad de Sistemas currently has the following functions:

- **a.** Keeping the accounting record of securities represented in the form of book entries listed for trading on the Government Debt Book-entry Market, in accordance with the provisions of the Securities Market Act; of securities listed for trading on the Spanish Stock Exchanges, as designated by the Governing Companies; and of other securities admitted to trading on official secondary markets and multilateral trading facilities, as designated by the governing bodies of the markets and systems.
- **b.** Keeping the accounting records of other securities not listed for trading on official secondary markets, regulated markets or multilateral trading facilities.
- **c.** Managing the settlement and, as necessary, the clearing of securities and cash arising from security trading.
- **d.** To provide the services for which it has been authorised pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.
- **e.** Providing services in connection with the European emission rights trading and registration system.
- **f.** Any other duties assigned to it by the Spanish government, subject to prior reports from the CNMV and, if applicable, Banco de España.

The Company may not carry out or include as part of its corporate purpose any activities for which it is not legally authorised or for the exercise of which the Law requires any kind of administrative authorisation it does not hold.

The reform of the Spanish securities clearing, settlement and registration system (instigated by Law 32/2011, of 4 October, and culminating in the first final provision of Law 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of our main European partners) involves three main changes: a) a move to a holdings-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) the bringing together the current settlement systems, CADE and SCLV, into a single platform.

With the entry into force of the Reform, since 27 April 2016, the Company has managed the following securities settlement systems: the ARCO securities settlement system and the clearing and settlement system for transactions carried out in the book-entry government debt market and the AIAF fixed income market.

On 18 September 2017, the second phase of the Reform was completed with (a) inclusion in the ARCO Settlement System for the settlement of securities included up until that time on the clearing and settlement system for transactions carried out in the book-entry government debt market and the AIAF fixed income market and (b) the migration of the Eurosystem to the Target2 Securities (T2S) settlement platform, thus permitting the standardisation of the post-trade systems of the Spanish market with those of the other European markets.

At 31 December 2018 and 2017, the Company held long-term shareholdings in Bolsas y Mercados Españoles Servicios Corporativos, S.A. and Regis-TR, S.A., with ownership interests of 21% and 50%, respectively.

Significant information concerning Regis-TR, S.A. is provided below.

Regis-TR, S.A.

On 9 December 2010, Regis-TR, S.A. was incorporated in Luxembourg for an indefinite period by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal and Clearstream Banking, S.A., with share capital totalling €3,600 thousand (in the form of 36,000 shares, each with a par value of €100, fully subscribed and paid up, in equal amounts, by the two companies).

Its corporate purpose is:

a. The company will act as a trade repository and authorised information system under the provisions of the applicable Luxembourg legislation.

b. Its corporate purpose is the administration and registration of information relating to any derivative contract and with transactions (hereinafter "Derivatives", including, but not limited to, over-the-counter derivatives (OTCs), exchange traded derivatives (ETDs), contracts and trades) entered into by financial and non-financial counterparties, as well as the reporting of information received on these derivatives, inter alia, to the market Supervisory authorities and regulatory authorities and derivative market participants.

c. The purpose of the company is the administration and registration of information relating to any trade on wholesale energy products (hereinafter, "Wholesale market energy products", including, but not limited to contracts, the execution of transactions and derivatives relating to the production, supply, transport and distribution of electricity and natural gas, and information on the capacity and use of facilities for the production, storage, consumption and transmission of electricity and natural gas and the use of liquefied natural gas (LNG) facilities, including non-scheduled and scheduled non-availability of these facilities) agreed between participants in the wholesale energy market, including the transmissions to the operators of the system, operators of storage and liquefied natural gas systems, together the reporting in its own name and on behalf of others of all data gathered on wholesale energy products, inter alia, to the Agency for the Cooperation of Energy Regulators (ACER) as well as the market supervisory authorities and regulators, via automatic means of access to such information and/or prior request by the aforementioned authorities, as well as to the participants of the wholesale energy market.

d. To provide collateral evaluation and management services in relation to Derivatives. It may also delegate its services to a third party, and perform any commercial activity with regard to intellectual property in relation to the company's corporate purpose described above.

e. To provide supplementary financial, commercial and/or industrial services necessary to fulfil and develop its corporate purpose.

It is a private entity and therefore no quoted market prices for its shares are available. There is no contingent liability with regard to the Group's stake in the joint venture.

BME Post Trade Services, S.A., - Sociedad Unipersonal

The company's corporate purpose is to design, establish, create, exploit and market, in any format, all kinds of products, services, systems, procedures and IT networks, devised to capture orders, information and any class of message issued or received by entities acting as central depositories or engaged in keeping accounting records for securities and financial instruments, and the provision of services related to these entities.

Link Up Capital Markets, S.A., was incorporated by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., -Sociedad Unipersonal, together with a plurality of shareholders. In 2013 and 2014, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal performed a series of successive acquisitions from previous shareholders, a process that terminated on 14 January 2014 with the acquisition of 1.71% of the capital of Link Up Capital Markets, S.A. - Sociedad Unipersonal, an operation that resulted in a 100% shareholding.

On 21 November 2014, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 100% of the share capital of Link Up Capital Markets, S.A. from Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal, for €878 thousand, equivalent to the theoretical carrying amount of the shares of Link Up Capital Markets, S.A. at 31 October 2014.

On 7 September 2016, the Company changed its name to BME Post Trade Services, S.A. - Sociedad Unipersonal (from Link Up Capital Markets, S.A. - Sociedad Unipersonal).

Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal

This company was incorporated in Madrid, for an indefinite time period, on 28 July 2006.

Its corporate purpose is to organise and give courses, seminars, lectures, postgraduate programmes, advanced training and, in general, any training activity connected with the financial industry and the securities markets, and to draw up, edit and publish related academic material of all kinds.

Bolsas y Mercados Españoles Inntech, S.A.U.

This company was incorporated in Madrid in May 1990 under the name of Sociedad de Difusión de Información de la Bolsa de Valores de Madrid, S.A.

In 2008, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal sold its entire shareholding in Bolsas y Mercados Españoles Inntech, S.A.U., formerly Infobolsa, S.A. - Sociedad Unipersonal, equivalent to a holding of 50%, to Bolsas y Mercados Españoles.

On 25 February 2016, Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 50% of Infobolsa, S.A. from Deutsche Börse, A.G. For €8,200 thousand, and as of that date owns 100% of the company. Bolsas y Mercados Españoles now indirectly owns through Infobolsa, S.A. - Sociedad Unipersonal, 81% of the share capital of Open Finance, S.L., 100% of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. and 100% de Infobolsa Deutschland, GmbH, all of which are directly owned by Infobolsa, S.A.U. - Sociedad Unipersonal.

On 25 March 2011, Infobolsa, S.A. - Sociedad Unipersonal acquired 62% of the share capital of Open Finance, S.L., for €3,514 thousand. Furthermore, in a supplementary agreement, Infobolsa, S.A. – Sociedad Unipersonal and all non-controlling shareholders of Open Finance, S.L. signed long-term sale-purchase agreements on the remaining 38% capital of Open Finance, S.L. (cross options). On 1 July 2014, Infobolsa, S.A. - Sociedad Unipersonal acquired 19% of the share capital of Open Finance, S.L., for €550 thousand. On 8 March 2018, Bolsas y Mercados Españoles Inntech, S.A.U. acquired an additional shareholding of 9% of the capital in Open Finance S.L. for the amount of €285 thousand, and as a result, as at 31 December 2018, was the owner of 90% of the shares in said company.

"BME Soporte Local Colombia, S.A.S." was incorporated on 5 January 2017 as a simplified joint stock company, incorporated in accordance with the laws of the Republic of Colombia. The share capital is represented by 150 million ordinary shares with a par value of 1 Colombian peso, fully subscribed and paid up by Infobolsa, S.A.U.

"BME Regulatory Services, S.A.U." was incorporated on 12 May 2017 as a limited company with a share capital of 60 thousand registered shares with a par value of 1 euro each, fully subscribed and paid up by Infobolsa, S.A.U.

On 7 June 2017, the Sole Shareholder Bolsas y Mercados Españoles, approved the merger of the companies Bolsas y Mercados Españoles Innova S.A.U. and Visual Trader Systems, S.L.U. (Absorbed Companies) by Infobolsa, S.A. - Sociedad Unipersonal (Absorbing Company), as well as the change of the corporate name of Infobolsa, S.A. Sociedad Unipersonal to the present name of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal.

Therefore, at 31 December 2018, the company had a shareholding of 100% in BME Soporte Local Colombia, S.A.S. and BME Regulatory Services, S.A.U.

MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal

MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal was incorporated in Madrid, for an indefinite period of time, on 21 November 2012 by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. with share capital of €60 thousand (consisting of 60,000 shares with a par value of €1 each, all of them fully subscribed and paid up).

Its corporate purpose was to analyse and prepare projects related to developing and managing markets for financial products.

On 27 June 2013, the Board of Directors of BME Clearing, S.A. – Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, agreed the partial spin-off of BME Clearing, S.A. – Sociedad Unipersonal (the spun off company) to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal (the beneficiary).

This involved transferring the business unit comprising the assets and technical and human resources necessary to manage the official secondary market for the derivative products of BME Clearing, S.A. – Sociedad Unipersonal to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession.

On 26 June 2013, BME, as the sole shareholder of both companies, agreed the partial spin-off to this company and the amendment of its articles of association including, inter alia, the change of its name to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U. and its corporate purpose which, on authorisation by the Ministry of Economy and Competitiveness, became that of a management company of an official secondary market for futures and options, "to oversee and manage trading and recording trades in futures, options and other derivative financial instruments, irrespective of the underlying assets, provided for in Article 2 of Law 24/1988 of 28 July on the Securities Market."

On 5 September 2013, as the sole shareholder of the company, it carried out a capital increase with cash contributions of €6,590,000 through the issuance of 6,590,000 shares of €1 par value each, with an issue premium of €0.2019 per new share.

The deeds for the partial spin-off and capital increase were granted on 9 September 2013 and filed with the Madrid Companies Register on 30 September 2013.

At 31 December 2018 and 2017, the Company held long-term shareholdings in Bolsas y Mercados Españoles Servicios Corporativos, S.A. with ownership interests of 11% and 7.97% respectively. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. stood at 7.77% at 31 December 2018 (7.97% at 31 December 2017). Both shareholdings were acquired by virtue of the sale and purchase agreement entered into with BME Clearing S.A.U on 13 December 2013.

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries comprising the Bolsas y Mercados Españoles Group (BME)

Consolidated Directors' Report for 2018

BME
BOLSAS Y MERCADOS ESPAÑOLES

1. Situation of the Entity

1.1 Organisational structure

BME is the operator of all stock markets and financial systems in Spain. A public limited company (sociedad anónima) listed since 14 July 2006, it forms part of the FTSE4Good IBEX® index and since its inception has been a benchmark in the sector in terms of solvency, efficiency and profitability.

BME group companies

Appendix I of the consolidated financial statements lists the Entity's main subsidiaries, jointly-controlled entities and associates, and information pertaining to them.

1.2 Operations

1.2.1. Business model

BME's business model is predicated on three core executive pillars: integration of the value chain for products traded on its platforms, diversification of underlyings and businesses, and focus on internally developed technologies. This has positive effects on the company's profitability. BME's modus operandi is backed by generating a consistent flow of net free cash flow, keeping capex low, obtaining wide margins with low leverage, maintaining low marginal costs on new products or projects added to the business range and, in short, achieving a high degree of efficiency and healthy returns on equity.

1.2.2. Regulatory framework

In view of the importance of the functions performed by BME in ensuring the smooth running of financial markets and, by extension, the Spanish economy, the company must maintain a smooth relationship with public bodies through official channels, predicated on strict adherence to applicable regulations, and with the domestic and international media.

The Spanish securities market has undergone a deep process of change and growth over the last two decades. The technical, operating and organisational systems which support the market today have enabled substantial investment flows to be channelled and provided the markets with greater transparency, liquidity and efficiency.

Article 43 of prevailing Royal Legislative Decree 4/2015 of 23 October approving Spain's Revised Securities Market Act defines regulated markets as "multilateral systems that allow parties interested in buying and selling financial instruments to be brought together to exchange contracts with respect to financial instruments that have been admitted for trading, are authorised and function regularly", pursuant to Chapter I of Title IV of the Securities Market Act and its implementing regulations, subject at all times to conditions of access, admission for trading, operating procedures, information and publicity. For such purposes, the following are considered to be official secondary equity markets:

- Stock Exchanges
- Book-Entry Government Debt Market
- Futures and Options Markets for any financial or non-financial underlying asset
- Private Fixed Income Market, AIAF.
- Any other state markets which meet the requirements of Section 1 of Article 43 of the Securities Market Act, which are authorised within the scope of this law and its implementing regulations, and any regional markets authorised by the proper authorities in Spain's Autonomous Communities.

In addition to the regulated markets, Multilateral Trading Facilities (MTF) operate in Spain, trading both shares that are listed in regulated markets (Stock Exchanges) and Book-Entry Government Debt issues.

The Spanish securities market also includes other specific markets managed by BME, such as the Market for Latin American Securities (LATIBEX), the Alternative Equity Market (MAB), the Sistema Electrónico de Negociación de Activos Financieros (SENAF), or the Alternative Fixed Income Market (MARF), all of which are used to trade securities with special characteristics. The MAB market has distinct sections for open-ended collective investment schemes (SICAVs), for venture capital firms (VCFs), for the investment funds segment, for Collective Investment Institutions (CIIs) or listed real-estate investment trusts (REITS) and for small- and medium-sized enterprises. All these markets operate via multilateral electronic trading facilities. BME Renta Fija, the governing body of the fixed-income market AIAF, also managed the fixed income electronic trading platform, SEND.

1.2.3. Seasonal trends in the main business segments

BME's business is closely linked to the market environment and trading volumes, where trends are generally hard to forecast. Economic cycles and the economic situation prevailing at a given time, especially in Spain, are also likely to have an influence. Therefore, as part of its adherence to the principle of transparency, the group publishes on a daily basis on its website the main indicators of the markets it manages, on which the company's results are largely predicated.

2. Business performance and results: Key financial indicators

The net profit of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries comprising the Bolsas y Mercados Españoles Group ("BME") totalled €136.3 million in 2018, a decrease of 11.1% compared to net profit for 2017. EBITDA for the year amounted to €186.1 million, a drop of 11.3% year-on-year.

In 2018, operating costs rose 7.4% on the previous year to €118.1 million.

The efficiency ratio for the whole of the year, which measures the operating costs over total net revenue, stands at 38.8% compared to the ratio of 34.4% for 2017, an unfavourable performance given that for this indicator the lower the value, the better.

Return on equity (ROE) stood at 33.1% compared to 36.1% the previous year.

The Group's hedge ratio was 122% at year-end, 7 points down on the previous year. This ratio measures the company's diversification into revenue sources not associated with market activity.

The occurrence of certain extraordinary costs during the year have accentuated the unfavourable performance of the management indicators. The extraordinary increase in operating costs of €5.4 million due to the measures adopted to renew the workforce have had a direct effect on the measurement of the efficiency ratio and the non-volume linked revenue indicator. This extraordinary increase in operating costs also resulted in a lower ROE ratio.

Equity market turnover totalled €588,921 billion for the year, down 9.7% compared to 2017. During the year 5 new companies were admitted to the Stock Exchange, 3 to the Growth Companies sector and 20 to the REITS sector on the Alternative Equity Market (MAB), totalling 69 REITs at the end of the year, a reflection of the favourable moment currently being experienced by the Spanish real estate market.

Total new investment funds channelled through the Stock Exchange totalled €15,224 billion for the quarter, reaching 141 corporate operations with shares.

2018 was positive year for financing through the Alternative Fixed Income Market (MARF), which continues to grow significantly. During the year, the total volume issued and admitted to trading was €6,359 million, 60.2% more than in 2017.

Following the successful completion of the Reform of the Spanish securities clearing, settlement and registration system, both BME Clearing and Iberclear initiated projects aimed at increasing the range of products and services to the client. In May, the Clearing unit of BME added natural gas contracts to the energy segment and IBERCLEAR began operating cross border settlement and custody services for its settlement participants, known as Cross-Border Services (CBS).

Results and management indicators

Key indicators

- Total revenue excluding net finance income amounted to €304,156 thousand, 4.9% lower than the previous year.
- Operating costs in 2018 totalled €118,090 thousand, a 7.4% year-on-year increase.
- In 2018, EBITDA amounted to €186,066 thousand, down 11.3% year-on-year.
- Profit before tax totalled €179,826 thousand, down by 11.4%, and net profit attributable to the parent company was €136,288 thousand, down 11.1%.

Management ratios

The prudent management of the company's resources aimed at optimising usage and boosting BME's value, is reflected in two standard metrics for the comparison of BME's performance.

BME continued to present benchmark key management ratios:

- **In 2018 ROE** (return on equity) ended the year at 33.1%, slightly down on the 36.1% reported the previous year. These values represented a difference with respect to the industry average of 13 points.

- The **Cost to Income** efficiency ratio measured for the full year stood at 38.8%, compared to 34.4% in 2017. In spite of the extraordinary increase in operating costs of €5.4 million due to the measures adopted to renew the workforce which had a direct effect on the measurement of the efficiency ratio, BME continues to be a global leader of the sector with regard to this figure, exceeding the average of comparable companies.

Results of Business Units

BME's integrated business model is structured around six business units that provide stability and diversification.

Since 2017, the financial information is presented having been adapted to the restructuring carried out during this year in its Market Information, IT, and Consulting business units, grouping the Group's different activities in these areas into a new "Market Data & VAS" business unit. In 2018, the information relating to this unit is presented with that of 2017 using the same criteria for comparison purposes.

Below follows a summary of the individualised contributions of the business units for 2018 and 2017 (figures include intragroup transactions that are eliminated on consolidation):

NET REVENUE BY SEGMENT

Bolsas y Mercados Españoles (Thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Equities	129,673	144,456	-10.2 %
Fixed Income	7,878	8,683	-9.3 %
Derivatives	11,189	10,841	3.2 %
Clearing	26,244	26,961	-2.7 %
Settlement and Registration	58,974	63,675	-7.4 %
Market Data & VAS	66,705	62,731	6.3 %

EBITDA BY SEGMENT

Bolsas y Mercados Españoles (Thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Equities	88,896	102,590	-13.3 %
Fixed Income	3,226	4,001	-19.4 %
Derivatives	3,669	4,449	-17.5 %
Clearing	15,929	17,093	-6.8 %
Settlement and Registration	42,418	47,489	-10.7 %
Market Data & VAS	40,982	39,604	3.5 %

Equity Business Unit

The revenue for the Equity business unit at year-end 2018 amounted to €129,673 thousand, down by 10.2% against the previous year. EBITDA stood at €88,896 thousand, down 13.3% on the previous year.

Bolsas y Mercados Españoles (Equity - Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	129,673	144,456	-10.2 %
From operations and characteristics of the orders	104,831	119,750	-12.5 %
Listing and other services	24,842	24,706	0.6 %
Operating costs	(40,777)	(41,866)	-2.6 %
EBITDA	88,896	102,590	-13.3 %

Of the total net revenue, trading revenue for listed products increased to €104,831 thousand for the year, down 12.5% year-on-year. In listing activities, net revenue increased to €24,842 thousand, up on the previous year by 0.6%.

Of the unit's total net revenues for the year, 80.8% came from the trading of equity instruments. Net revenue from listing activities in 2018 represents 19.2% of the total, up 2.1% year-on-year.

Operating costs for the unit fell 2.6% year-on-year to €40,777 thousand.

Total trading for the year amounted to €588,921 billion, across 44.1 million individual trades. These figures represent decreases of 9.7% and 13.2%, respectively, compared to 2017.

2018 became increasingly complex from an economic, financial and social point of view, favouring more conservative scenarios in the capital markets. Since the beginning of the year, equity activity was shaped by drivers of uncertainty such as Brexit or the worsening outlook for the economy and, alongside this, a far-reaching process of regulatory adaptation in the securities markets sector.

In exchange-traded funds (ETFs), total cash volume traded in the year was 32.2% lower than in 2017 and trades were down 11.9% year-on-year. ETFs linked to IBEX® indexes stood at €1,076 billion at year-end.

The low volatility registered for the whole of the year influenced the activity of warrants and certificates market of the Spanish stock exchange, although volatility and volumes began to increase during the fourth quarter compared to the same period the previous year. The annual cash volume traded on these assets was €456 million, 1.5% less than in 2017.

During 2018 as a whole, flows channelled to the stock exchange came to €15,224 billion, through 141 corporate transactions with shares (rights issues and IPOs), 4 more than in 2017.

The capitalisation of the 3,015 companies admitted to listing on markets managed by BME at 31 December 2018 reached €0.99 trillion. Dividends paid by listed companies as a whole rose to €28,793 trillion in the year, 3.4% more than in 2017.

The favourable moment currently experienced by the property market in Spain is being reflected in the market: the 20 REITs joining the market during the year brought the total admitted to trading to 69 at 31 December. The real estate company Metrovacesa launched the largest IPO of the year, with €646 million raised in February.

Bolsas y Mercados Españoles (Equity - Activity)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
TRADING (millions of euros)	**588,921**	**651,952**	**-9.7 %**
Shares			
Trading volume (millions of euros)	585,439	647,025	-9.5 %
From securities with a trading rate of 0.3 bp	383,966	414,840	-7.4 %
Remaining securities	201,473	232,185	-13.2 %
Number of trades	44,138,522	50,849,026	-13.2 %
Average value per trade (euros)	13,264	12,724	4.2 %
Exchange traded funds (ETFs)			
Trading volume (millions of euros)	3,026	4,464	-32.2%
Number of trades	86,712	98,381	-11.9 %
Warrants			
"Premiums" trading volume (millions of euros)	456	463	-1.5 %
Number of trades	88,351	100,865	-12.4 %
Securities traded (millions)	153,526	204,385	-24.9 %
Listing			
Number of companies listed	3,015	3,144	-4.1 %
Market capitalisation (millions of euros)	990,867	1,137,418	-12.9%
Investment flows channelled through exchange (millions of euros)			
New listed companies	4,446	7,972	-44.2 %
Already listed companies	10,778	31,751	-66.1 %

Fixed Income Business Unit

All the markets and platforms managed by the BME Fixed-Income Unit dedicated great time and effort in 2018 to adapting their trading to the European regulation MiFID II, with its more rigorous market and transparency rules, similar to those in effect for the equities markets. New formats were introduced, such as the option to trade according to the indication of interest for illiquid instruments, and there was an increase in the number of issues available for trading. The outstanding volume on the electronic trading platform exceeded €5.91 trillion at year-end 2018, and embraced all government debt issues from Germany, France, the Netherlands, Belgium, Italy, Austria, Portugal and Ireland and the European Stability Mechanism (ESM). The boost to electronic platform-based fixed-income trading as a result of the implementation of MiFID II began to make itself felt, especially in the fourth quarter, where it grew by 72.3%.

In 2018 the Unit reported a negative performance in revenue (-9.3%). In spite of containing expenses (-0.6%) the EBITDA fell 19.4% to €3,226 thousand. The accumulated revenue for listing activities reached €3,591 thousand and €4,287 thousand for trading.

Bolsas y Mercados Españoles (Fixed Income - Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	7,878	8,683	-9.3 %
Trading	4,287	4,838	-11.4 %
Listing	3,591	3,845	-6.6 %
Operating costs	(4,652)	(4,682)	-0.6 %
EBITDA	3,226	4,001	-19.4 %

The accumulated annual volume traded for 2018 was 205,059 billion, down 4.9%, According to the new MiFID II Directive regulations, Regulated Markets may only publish those trades that are performed using their electronic trading systems. It should be noted that the trading data of the Spanish market ceased to collect the bilateral volume between Market Members from September 2017, coinciding with the start-up of the pan-European T2S settlement system.

The total volume admitted to trading throughout 2018 reached €311,991 billion.

Once again, for the fifth consecutive year since its birth, the Alternative Fixed-income market (MARF) stood out for its growth and role in stimulating new alternatives that contribute to the diversification of business financing in Spain. Since its creation, 57 companies have turned to MARF for financing, and 12 of them did so for the first time in 2018 through issues of bonds and promissory notes. The MARF ended 2018 with a total issued volume of €6,359 billion, 60.2% more than the total issued in 2017, and an outstanding balance of €3,330 billion, 50.1% more than the previous year.

Bolsas y Mercados Españoles (Fixed income - Activity)	**Total at 31/12/18**	**Total at 31/12/17**	**Δ**
TRADING (millions of euros)	**205,059**	**215,555**	**-4.9 %**
ID	205,059	140,233	46.2 %
Public debt	204,673	139,652	46.6 %
Private fixed income	386	581	-33.6 %
Bilateral			
Private fixed income	0	75,322	-100.0 %
Number of trades			
ID	45,376	48,017	-5.5 %
Bilateral	0	24,259	-100.0 %
LISTING (millions of euros)			
Admission for trading (nominal)	311,991	432,243	-27.8 %
Public debt	228,881	306,738	-25.4 %
Private fixed income	76,751	121,535	-36.8 %
MARF	6,359	3,970	60.2 %

Note: In 2018, Foreign Debt totalling €5.60 trillion was admitted to trading, which does not include the figures for Government Debt.

Derivatives Business Unit

Bolsas y Mercados Españoles (Derivatives - Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	11,189	10,841	3.2 %
Operating costs	(7,520)	(6,392)	17.6 %
EBITDA	3,669	4,449	-17.5 %

BME's derivatives business unit's revenue increased by 3.2% in 2018 compared to 2017 up to €11,189 billion, supported mainly by the strong performance of IBEX 35® futures in the first half of the year.

Accumulated operating costs increased by 17.6% for the year and EBITDA fell by 17.5%.

In a context of very low levels of implied volatility (15% daily average according to the VIBEX® index, three tenths of a point less than the previous year), the total volume of financial derivatives traded stood at 43.5 million contracts in 2018: a moderate fall of 2.4% year-on-year.

The performance of the newest products traded on the market - dividend hedges - was strong. IBEX 35® Impacto Dividendo futures grew 63.1% for the full year, while share dividend futures grew 35.8%.

The total number of contracts open at year-end 2018 increased 9.8% year-on-year in IBEX 35® products and 2.2% in contracts on individual shares.

Bolsas y Mercados Españoles (Derivatives - Activity)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Derivatives contracts (number of contracts)	43,502,218	44,576,977	-2.4 %
Index derivatives (number of contracts)			
IBEX 35® Index Futures	6,342,478	6,268,290	1.2 %
Mini and Micro IBEX 35® Index Futures	1,490,237	1,618,857	-7.9 %
IBEX 35® Div Impact Futures	70,725	43,372	63.1 %
IBEX 35® Sector Futures	2,745	7,753	-64.6 %
IBEX 35® Index Options	4,183,154	4,303,701	-2.8 %
Open position	875,216	797,176	9.8 %
Total notional value (millions of euros)	661,981	700,759	-5.5 %
Equity derivatives (number of contracts)			
Equity futures	10,703,192	11,671,215	-8.3 %
Equity dividend futures	471,814	347,435	35.8 %
Equity options	20,237,873	20,316,354	-0.4 %
Open position	7,430,748	7,270,081	2.2 %
Total notional value (millions of euros)	21,263	23,902	-11.0 %
Energy Derivatives-Electricity (MWh)	12,343,048	17,930,085	-31.2 %
Total number of trades	3,709,764	3,430,561	8.1 %

Clearing Business Unit

During 2018 BME's Clearing business unit moved forward with its strategy to diversify within clearing house operations, and already embraces a broad and growing set of activities: The clearing of equity spot trades, the clearing and settlement of all financial, electricity and gas derivatives traded or registered on MEFF, the clearing of repos with fixed income securities (simultaneous trades on Spanish government debt), and clearing and settlement of interest rate derivatives traded over the counter (OTC).

This brought the cumulative net revenue for the year to December to €26,244 thousand, an decrease 2.7% compared to 2017. The EBITDA for 2018 stood at €15,929 thousand, down 6.8% compared to 2017.

Bolsas y Mercados Españoles (Clearing- Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	26,244	26,961	-2.7 %
Operating costs	(10,315)	(9,868)	4.5 %
EBITDA	15,929	17,093	-6.8 %

Taking into account the segmentation of the unit's business, in the index and equity derivatives segment, the number of contracts traded and cleared fell by 2.4% to 43.5 million in the year. The combined open interest of all financial derivatives traded and cleared in the Spanish market at the end of the fourth quarter and at year-end 2018 was 8.3 million contracts, 3.0% more than a year earlier.

In the equities segment, 88.6 million trades were processed in 2018, 13.2% fewer than in 2017.

In the energy derivatives segment (electricity and natural gas), the cleared volume for the full year was 13.8 TWh, down 23.2%. May 2018 saw the successful launch of a new counterparty clearing-house service for natural gas within this segment. In its first eight months, trades went through for a total 1.43 TWh, and at year-end the open interest was 1.1 TWh.

Trades in fixed-income securities (repos segment) were cleared in 2018 for a value of €155,637 million, down 47.3%. The connection between BME Clearing's Central Counterparty and the Brokertec platform came online on 17 December. This connection enables platform participants to send trades to BME Clearing for registration and clearing.

In the interest rate derivatives (IRSs) segment, trades were processed in 2018 for a notional value of €147 million, and the open interest at year-end was €463 million.

Bolsas y Mercados Españoles (Clearing - Activity)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Financial derivatives			
Index derivatives (number of contracts)	12,089,339	12,241,973	-1.2 %
Equity derivatives (number of contracts)	31,412,879	32,335,004	-2.9 %
Open interest (number of contracts)	8,305,964	8,067,257	3.0 %
Energy Derivatives (Electricity and Gas)			
Volume (MWh)	13,776,521	17,930,085	-23.2 %
Open position (MWh)	6,484,239	8,009,264	-19.0 %
Repo			
Cash volume (millions of €)	155,637	295,257	-47.3 %
Number of trades	2,145	4,915	-56.4 %
Interest rate derivatives			
Notional registered (millions of €)	147	2,218	-93.4 %
Open interest (millions of €)	463	470	-1.5 %
Equities			
Total number of novated transactions	88,624,170	102,088,258	-13.2 %
Cash cleared (millions of €)	1,135,729	1,293,464	-12.2 %

Settlement and Registration Business Unit

Net revenue generated in 2018 by the Settlement and Registration Unit amounted to €58,974 thousand, a 7.4% year-on-year decline.

The incorporation of the central counterparty (CCP) clearing house activities for equities, begun at the end of April 2016 with the Reform of the Securities Clearing and Settlement System, significantly reduced the number of trades settled due to the netting process that the clearing house carries out, obtaining, as counterparty, revenues from the clearing of trades. Since mid-September 2017, the connection to the T2S (Target2-Securities) pan-European settlement system, managed by the European Central Bank, has similarly had an effect on the operation and development of the unit's business.

Bolsas y Mercados Españoles (Settlement and Registration - Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	58,974	63,675	-7.4%
Settlement	9,809	16,019	-38.8%
Registration	36,650	34,218	7.1%
Other services	12,515	13,438	-6.9%
Operating costs	(16,556)	(16,186)	2.3%
EBITDA	42,418	47,489	-10.7%

In the calculation of trades for 2018, the comparison is still affected by the changes introduced in September with the connection to T2S. Thus, the total number of settled trades in the year amounted to 9,165,147 transactions, 15.5% lower than the previous year. The fourth quarter of 2018 is the first quarter in which the effects on settlement and registration resulting from the Reform of the Securities Settlement and Clearing System and the connection to the Target 2 Securities (T2S) settlement platform in September 2017 have been normalised. In accordance with this normalisation, the last quarter of the financial year closed with a 1.6% decrease in the number of trades settled compared to 2017.

During 2018 Iberclear made progress in cross-border settlement and custody service offerings to its settlement participants, both independently and in partnership with specialised entities. The Cross-Border Services (CBS) project went into production on 17 December, with an initial offering that includes securities issued in Germany, France, Italy, the Netherlands and Austria, and with several participants already operating in this environment.

The volume recorded at year-end 2018, in registered nominal fixed income and registered cash volume of equities, amounted to 2,261.8 billion, compared to 2,346.7 billion recorded a year earlier, making for a decrease of 3.6%. Of that volume, cash volume traded in fixed income rose 1.7% to €1,521.9 billion, while cash volume traded in equities fell 12.9% year-on-year to €739.9 billion.

Net revenue from registration reached €36,650 thousand, an increase of 7.1% year-on-year.

Other services provided by the unit to settlement and registration entities, and the registered issuers, have generated a total net revenue of €12,515 thousand, a decrease of 6.9% year-on-year.

Bolsas y Mercados Españoles (Settlement and registration - Activity)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Settled transactions	9,165,147	10,848,376	-15.5%
Cash Settled (billions of €, daily average)	77.1	148.0	-47.9%
Volume booked - end of period - (billions of €)	2,261.8	2,346.7	-3.6%
Nominals registered in fixed income	1,521.9	1,496.9	1.7%
Cash registered in Equity	739.9	849.8	-12.9%

Market Data & VAS Business Unit

The contribution of the Market Data & VAS unit to the Group's revenue and profit continued to grow in 2018 in line with the business diversification objective set out with the reorganisation of the management of the market information activities and value added services, carried out in 2017.

Bolsas y Mercados Españoles (Market Data & VAS - Results performance) (thousands of euros)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
Revenue	66,705	62,731	6.3%
Primary information services	39,029	39,535	-1.3%
Value Added Services	27,676	23,196	19.3%
Operating costs	(25,723)	(23,127)	11.2%
EBITDA	40,982	39,604	3.5%

The accumulated total net revenue for the unit reached €66,705 thousand for the year, up 6.3% year-on-year.

Revenue growth in Value Added Services (VAS) and the rise of services provided internationally contributed to the unit's positive performance in 2018. This segment continues to gain significance, reaching a relative weight of 41.5% at the end of the year with a net revenue of €27,676 thousand euros, up 19.3%.

Total operating costs for the unit increased 11.2% over the year and the outcome of the combination of revenue and expenses is an EBITDA of €40,982 thousand euros for the full year, making for an increase of 3.5% compared to 2017.

Orders routed through BME Inntech systems to domestic markets grew 0.6% versus the same period last year. International routing was driven up by the rise in orders sent to remote members.

In 2018, the uptrend continued in new subscriptions to the market abuse identification service (SICAM), while existing subscribers extended the scope of services to include order analysis and international transactions. In total, during 2018 the tool analysed more than 27.5 million trades and almost one million customers.

Latin America is a key vector for the growth of the unit's businesses. In the closing quarter, the next phase of the project with the Colombian stock exchange, Bolsa de Valores de Colombia, commenced regarding the implementation of BME Inntech's trading and order management platform in the Colombian stock market. The technology platforms currently in development for the Bolivian stock exchange and the Algiers stock exchange are expected to start development in 2019.

Through the creation of two joint ventures, BME and the Mexican stock exchange Bolsa Mexicana de Valores launched a project to support the generation, distribution and sale of market information on the main Latin American stock exchanges.

New clients and on-demand projects have been received for the new Transaction Cost Analysis, financial advisory and wealth tech products launched in 2018, including Spanish, Portuguese and Chilean firms.

In respect of the Primary Information Services area, revenue fell by 1.3% over the year to €39,029 thousand. During the year the number of BME Market Data clients remained stable and there was a 5.8% rise in the number opting for a direct connection to the information servers, thus hitting a new high for this service mode. The customer base of the "End of Day" family of information products closed the year with a 2.0% decrease compared to 2017.

BME Market Data extended its line of analytical and end-of-day products and services and also created new products as a result of the entry into force of MiFID II, such as FIRDS securities master files, APA BME end-of-day information and PRIIP KIDs files for options and futures.

Work was completed to provide official daily information on the Spanish Central Government and Regional Government debt issues. We also completed the necessary developments to provide a maturity file for fixed income securities listed on BME.

3. Non-Financial Information Statement (Corporate Social Responsibility Report) for 2018

Pursuant to the provisions set forth in Law 11/2018 of 28 December, amending the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July, on the Auditing of Accounts, with regard to the non-financial information and diversity (hereinafter, Law 11/2018), certain companies must prepare a Non-Financial Information Statement to be incorporated into the Directors' Report or a separate report corresponding to the same financial year which includes the same content and which complies with the requirements.

In this regard, BME attaches to this, the BME Consolidated Directors' Report, and forming an integral part thereof, the Non-Financial Information Statement (Corporate Social Responsibility Report) for the year ended 31 December 2018 for Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and its subsidiaries (hereinafter NFIS).

The NFIS was prepared in accordance with the contents detailed in the prevailing commercial law and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) in accordance with the Essential option, as well as any other criteria detailed in accordance with the aforementioned for each issue in the "Index of non-financial information content" included in the NFIS.

In accordance with the new wording given by Law 11/2018 to article 49 of the Commercial Code, the NFIS was verified by PricewaterhouseCoopers Auditores, S.L. acting as an independent provider of verification services.

4. Liquidity and capital

Capital managed by the group comprises primarily capital, reserves and profit for the year attributable to the parent, which are recognised on the consolidated statements of financial position under "Equity", less interim dividends and treasury shares, which are also recognised under this heading in the consolidated statements of financial position.

Capital is managed by the group at two levels: regulatory and financial, as described in Note 25 to the consolidated financial statements. Financially, the Group is able to generate sufficient liquid funds to maintain its short-term liquidity and its medium- and long-term solvency, as shown in the respective consolidated statements of cash flows in the consolidated financial statements.

The Group's main sources of liquidity are included under "Cash and cash equivalents" and "Current financial assets" on the consolidated statements of financial position at 31 December 2018 and 2017. This liquidity position and cash flow generation ability enable the Group to fund its operating and investing activities with the cash flow generated from the activities without incurring financial debt at either date.

The high levels of free cash flow generated has allowed BME to distribute ordinary dividends with a payout of 96% in 2018 and 2017, following approval of the proposed distribution of earnings set out in Note 3 of the consolidated financial statements at the General Shareholders' Meeting.

This high cash flow generation is the result of BME's business model and is based on three pillars:

- the effective collection of fees that the Group companies have set up as consideration for its various services, settled in the standard settlement period for the corresponding transactions in each market, using the settlement instructions issued by the Central Counterparty Clearing House, in the same way as it instructs the settlement of its own operations.
- the moderate investment necessary of the Group based on in-house technology
- and the Group's ongoing efforts to control costs.

These three pillars allow BME Group's liquidity generation ability to ensure future transactions, depending on the consolidated liquidity position, largely ensuring the shareholder remuneration policy and the extraordinary investment projects, although none are envisaged at the date of preparation of these annual financial statements.

The company does not expect any significant changes in the structure of its equity and debt or its relative cost of capital in 2018 and comparted to 2017.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for investment of cash in financial assets with a view to minimising exposure to credit and interest-rate risks. The Board of Directors has laid down specific guidelines that restrict financial instruments to investments in Spanish government debt, autonomous government debt, debt issued by the member states of the third phase of European Economic and Monetary Union, fixed income issues on the AIAF market guaranteed by the Spanish government, and fixed income issues on the AIAF market classified by Banco de España as suitable for monetary policy operations and the management of guarantees presented before payment systems. The Board of Directors has also adopted a portfolio structure involving the investment of own treasury positions, primarily in the short term, while allowing part of these positions to be invested in the longer term (3-5 years) to maximise returns. Moreover, by virtue of the renewal of the authorisation for the purchase of treasury shares, approved at the last General Meeting, the Board adopted a resolution concerning the conditions and limits for the purchase of treasury shares, delegating the necessary powers to the executive chairman and the general manager the necessary powers to enable each or either of them to carry out the full process of the purchase of BME shares.

With regard to capital management processes, Bolsas y Mercados Españoles has a treasury department in its financial area, which is responsible for investing in financial assets on behalf of all Group companies.

In order to ensure compliance with these objectives and policies, financial management regularly reviews the level of compliance with the investment policies in place. No incidents were detected in 2018 or 2017.

No contractual obligations, contingent liabilities or other firm commitments are known to date that could change the Group's liquidity and capital requirements. There are also no off-balance sheet transactions that could affect the Group's future liquidity.

5. Main risks and uncertainties

The presence of BME throughout the whole value chain in the management of several financial markets, exposes it to a variety of risks: Note 24 to the consolidated financial statements contains a full description of the risks.

The implementation of the **risk control and management policy**, defined by the Board of Directors and administered by the Management Committee, falls to the Continuity and Risk Committee in its capacity as the body responsible for monitoring and analysing the risks arising from the various activities carried on by Group companies within a framework of coordinated management through business units and corporate areas. The Continuity and Risk Committee also draws up the corporate Risk Map, which is maintained by the parties in charge of managing the risks identified, and by the Chief Risk Officer.

The Continuity and Risk Committee has constructed an Integrated Risk Management System (IRMS) following the methodological framework specified in the COSO II report. According to the nature of each specific risk, the following lines of action are carried on in parallel:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, technology, human resources and non-financial) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Maintenance of the corporate Risk Map requires that each risk officer regularly update the information on each identified global risk needed for management and control; new events and controls are identified and action plans are rearranged as necessary.

As per the IRMS methodology, the Continuity and Risk Committee receives information corresponding to the main occurrences of identified risks, any changes in how they are assessed, measures to mitigate them, actions plans and the status thereof. The Risk Management Report is based on this information and the updating of the information on risks is managed by the Committee itself. Once approved by the Continuity and Risk Committee, this report, and its conclusions, is distributed to the Audit Committee and BME's Board of Directors every six months by the Finance Director, in her capacity as Chairperson of the Continuity and Risk Committee.

BME Group's risk control system has been drawn up in accordance with international standards. Its functioning is explained in more detail in Section E of the Annual Corporate Governance Report. Section F also includes information on the Internal Control over Financial Reporting System (ICFRS).

6. Events after the reporting period

No significant events occurred after the balance sheet date that have not been recorded in the consolidated financial statements.

7. Outlook for the Group

Trading in Equities on the Spanish stock exchange totalled €41,407 billion in January 2019, up 6.8% on the previous month and the best result since October 2018. The number of trades stood at 3.6 million, 15% more than in December.

Turning to the Financial Derivatives market, trading in IBEX 35® Futures was 4.8% higher than in December, but down 4.3% year-on-year. The volume of Stock Futures traded has improved by 328.3% year-on-year. The open position for IBEX 35® Futures and Options grew 17.3% and 12.5% for the month, respectively, while Stock Futures and Options rose by 11.9% and 7.6%, compared to January 2018.

In Fixed-Income, the total volume traded over the platforms managed by BME in January stood at €33,417 billion, 240.8% more than in December and 71.5% more than January 2018.

The solidity of BME's business model with its highly diversified range of products and services, based around its seven business units, and its highly positive operating leverage means we can look forward to the year ahead, confident that the group will be able to achieve its targets for profitability and efficiency.

8. Research and development activities

BME continues to develop its model for innovation and technological improvement, based on the design and the development of in-house applications to provide services to the business units. BME continued to develop high added-value projects in 2018:

- Development of the systems for the provision of new services (Authorised Publishing Agent, Transaction Cost Analysis, Cross Border Services and the trading of FX Rolling products).
- Development of new features for REGIS-TR.

9. Acquisition of treasury shares

At its meeting on 31 July 2008, the Board of Directors of the Company approved the acquisition of 337,333 shares in BME, equivalent to 0.40% of share capital, and the acquisition was carried out in August 2008, for the purpose of implementing the share-based payment plan approved in 2008, which was due for settlement on 31 December 2010. However, as the targets established under this plan had not been met at that date, no share-based bonuses were paid to beneficiaries.

For the periods 2014 to 2018, and as a result of the settlement of the first, second and third three-year periods of the 2011-2016 share-based payment Plan and the first and second three-year period of the 2014-2019 share-based payment Plan, the balance of treasury shares was reduced by 73,627; 67,790 and 71,083, and 53,301 and 50,550 shares delivered to plan beneficiaries, respectively. In 2016, 2017 and 2018 the Company acquired 400,000, 17,726 and 165,295 treasury shares respectively, in the amounts of €10,478 thousand €465 thousand and €4,267 thousand in each period.

Therefore, as a result of the deliveries and acquisitions made, the Company held 604,003 and 489,258 treasury shares at 31 December 2018 and 2017.

10. Other relevant information

10.1 Stock market data

2018 was a tough year for the Spanish market as a whole. The IBEX 35® benchmark dropped 15.0% from 10,043.9 at year-end 2017 to end 2018 at a level of 8,539.9. Performance in the fourth quarter was particularly poor, with the index falling 9.0% from the September close. With this backdrop, the BME share price closed 2018 at €24.32 per share, accumulating a fall of 8.4% compared to the 2017 year-end.

The BME total shareholder return, including the dividends paid and reinvested, was a negative 2.3%. IBEX 35 ® with dividend with comparable methodology had a negative return of 11.5%.

In the accumulated figure for the year, the BME share registered decreases of 18% for the average cash volumes traded, 11.7% in the number of securities and 11.9% in the number of trades.

Bolsas y Mercados Españoles (Share price performance)	**Total at 31/12/18**	**Total at 31/12/17**	Δ
BME share price trend			
High	30.20	33.60	-10.1%
Low	23.82	25.56	-6.8%
Average share price	27.63	29.96	-7.8%
Closing price	24.32	26.55	-8.4%
Cash amount traded on BME shares (Million euros)			
Maximum daily volume	15.9	19.3	-17.6%
Minimum daily volume	0.8	0.8	0.0%
Daily average volume	4.1	5.0	-18.0%
BME shares traded (millions of shares)	37.7	42.7	-11.7%
Number of trades on BME shares	181.605	206.195	-11.9%

10.2 Dividend policy

BME is continuing its policy of maximising shareholder returns, with a proposed ordinary dividend pay-out of 96% of 2018 profit subject to approval at the Shareholders' Meeting.

The following table summarises the total amounts and amounts per share distributed in 2018 (the first refers to the 2017 profit) and two interim dividends paid out of the 2018 profit.

Year	Date of payment	Gross amount per share	Net amount per share	Type	Total amount (gross) shared (thousands of euros)
2017	11-may.	0.78	0.6318	Ordinary (Complementary)	64,819
2018	14-sep.	0.40	0.324	Ordinary (Interim)	33,261
2018	28-dec.	0.60	0.486	Ordinary (Interim)	49,817

10.3 Average payment period

The introduction of Law 31/2014 of 3 December, amending Law 15/2010 of 5 July, which in turn amended Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, requires that companies expressly include information on the payment periods to their suppliers in the notes to the financial statements and, in the case of listed companies, that they publish such information on their websites.

Article 262,1 of Spain's Corporate Enterprises Act also establishes the obligation for this information to be published in the Directors' Report. In connection with this compulsory information, the average payment period operated by the Bolsas y Mercados Españoles Group in 2018 was 37 days (see Note 20 to these Consolidated Financial Statements).

This average payment period was calculated in accordance with the provisions of the Spanish Accounting and Auditing Institute's Resolution of 29 January 2016 concerning the information to be disclosed in financial statements in connection with average payment periods to suppliers in commercial transactions, published in the "BOE" Official State Journal on 4 February 2014, applicable to the financial statements for years commencing at 1 January 2015.

11. Annual Corporate Governance Report

Pursuant to article 540 of the Corporate Enterprises Act, as amended by Law 31/2014, of 3 December, which modified the Securities Market Act to improve corporate governance, the Bolsas y Mercados Españoles Group has prepared the Annual Corporate Governance Report for 2018 (forming part of this consolidated Directors' Report) with the content established in this article, Order ECC/461/2013, of 20 March, determining the content and structure of the annual corporate governance report, the annual remuneration report and other disclosures of listed public companies, savings banks and other entities that issue securities for trading on official securities markets, and CNMV Circular 2/2018, of 12 June, amending CNMV Circular 5/2013 of 12 June and 4/2013 of 12 June and replacing the annual corporate governance report and annual directors' remuneration report with the aim of adapting their content to the recent regulatory changes to implement some technical adjustments.

12. Alternative performance measures

Below follows information relating to the definition, reconciliation and explanation of the use of the alternative performance measures detailed in the management report, for the purposes of complying with the guidelines of the European Securities and Markets Authority, ESMA (Guidelines on Alternative Performance Measures).

- EBITDA: Operating profit (EBITDA): earnings before interest, tax, depreciation and amortisation, calculated as "Net Income" less "Staff costs" and "Other operating costs".
- Operating costs: costs comprising the total of "Staff Costs" and "Other operating costs" on the consolidated income statement.
- Efficiency ratio: measures the level of resources used to generate the Group's revenue, and is calculated as "Operating costs" divided by "Revenue". It is one of the most common indicators when establishing comparisons regarding the productivity of the different entities of the sector.
- Return on equity (ROE): this ratio measures the return obtained by shareholders on the funds invested in the Company and therefore, measures the capacity that the company has to remunerate its shareholders. It is calculated as "Profit attributable to Parent" divided by "Shareholder Equity" for the financial year.
- Coverage ratio of the base cost: this ratio indicates the coverage of the Group's operating costs with revenue not linked to activity volumes of the markets and measures the diversification of the company towards sources of revenue not linked to with market activities. It is calculated as revenue not linked to market activity volumes over "Operating costs".
- Cash traded in Equity: this is the total cash volume in euros of the purchase and sale of equity instruments traded in all the regulated markets and trading systems managed by BME. It is calculated by multiplying the total number of shares traded in each transaction by the price per share. It is an indicator of the activity in the secondary market of equity admitted to trading.
- Total investment flows channelled through the Exchange: the investment flows channelled through the Exchange for the period include the capital increase of the companies listed in the Spanish market recognised at their effective value in euros and the IPOs also recognised at the effective monetary value at the time of placement in euros. It is an indicator defined by the Federation of European Stock Exchanges (FESE) which measures the activity on the primary market of the listed companies or those listed for the first time.

Volume admitted in the Fixed-Income market: Total cash volume in euros obtained by the companies on the primary market through fixed-income issues (bonds and promissory notes). It is an indicator of the activity in the fixed-income primary market.

Annual Corporate Governance Report of Listed Companies

Issuer identification

Year-end date
31.12.2018

Tax Identification No. (C.I.F.)
A-83.246.314

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

Registered Office
PLAZA DE LA LEALTAD, 1 (MADRID)

BME
BOLSAS Y MERCADOS ESPAÑOLES

A. Capital structure

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
02/07/2013	250,846,674.00	83,615,558	83,615,558

Please state whether there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Corporación Financiera ALBA, S.A.	12.06%	0.00%	0.00%	0.00%	12.06%

Remarks.

The information disclosed in this section is based on the Shareholder Register, which contains transactions carried out in 2018.

At 31 December 2018 "State Street Bank and Trust CO" appeared in the Shareholder Register with stakes in the share capital of BME exceeding 3%. However, the Company understands that these shares are held in custody on behalf of third parties.

Breakdown of the indirect holding:

State the most significant shareholder structure changes during the year:

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Antonio J. Zoido Martínez	0.04%	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%
Javier Hernani Buzako	0.02%	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
Ignacio Garralda Ruiz de Velasco	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Joan Hortalá i Arau	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan March Juan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Santos Martinez-Conde Gutierrez-Barquín	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%
David María Jiménez-Blanco Carrillo de Albornoz	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan Carlos Ureta Domingo	0.02%	0.04%	0.00%	0.00%	0.06%	0.23%	0.00%

Total percentage of voting rights held by the Board of Directors	0.15 % (*)

Remarks.

(*) This percentage represents the total direct and indirect voting rights of members of the Board of Directors attributed to Company shares. This figure does not include the equity held by the shareholder represented on the Board of Directors justifying the qualification of two (2) of its members as proprietary directors. At 31 December 2018 the stake held by this shareholder was 12.06% of the share capital.

Based on the above, the total share capital represented by the Board of Directors at 31 December 2018 stood at 12.21% of share capital.

At 31 December 2018 the executive Directors were beneficiaries of three medium-term variable remuneration Plans to be implemented by the Company and its subsidiaries, designed for members of the management team, including the executive Directors who, in accordance with Article 219.1 of the Corporate Enterprises Act, were approved by the company's Ordinary General Shareholders' Meetings on 30 April 2014, 27 April 2017 and 26 April 2018 and notified to the Spanish Securities Market Commission (CNMV) at these dates.

Share-based Variable Remuneration Plan approved on 30 April 2014.

This Plan, which covered the years 2014, 2015 and 2016, consisted of the promise to deliver in 2017, 2018 and 2019 ordinary shares of BME to the members of the Company's management team, including executive Directors, provided that the stipulated conditions were met.

The specific number of shares to be granted to the beneficiaries shall depend on the performance of BME's Efficiency Ratio and Total Shareholder Return, compared with another five (5) benchmarked entities, and shall be calculated by dividing in two the number of theoretical units assigned in each financial year 2014, 2015 and 2016, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking among the benchmarked companies.

The maximum number of BME shares included in the Plan is 555,048, representing 0.66% of BME's share capital, of which a maximum of 79,992 shares shall be granted to Mr. Antonio Zoido Martínez and 6,894 shares to Mr. Joan Hortalá i Arau, as executive Directors. This maximum number of shares did not include any shares that may be allocated to Mr. Javier Hernani Burzako, who was appointed Managing Director at the time the theoretical share-convertible units were allocated.

At 31 December 2018 the third period of the Plan expired and shall be settled up in 2019, although at the date of this report no data are available to establish compliance with the targets set in the Plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors.

In execution of this Plan, the Appointments and Remuneration Committee, at its meeting on 25 May 2016, granted Mr. Zoido Martínez and Mr. Hortalá i Arau the theoretical units corresponding to the third period of the Plan.

Thus, the maximum theoretical number of shares that may be received in 2019 totalled 31,693 in the case of Mr. Zoido Martinez and 2,580 in the case of Mr. Hortalá i Arau, accounting for 0.038% and 0.003% of the share capital of BME respectively.

The maximum theoretical number of shares that may be received by Mr. Hernani Burzako in 2019 arising from the theoretical units allocated in 2016 as the Company's Managing Director is 10,323, accounting for 0.012% of the share capital of BME.

Medium-term remuneration scheme approved on 27 April 2017.

This Plan was based on the allocation in 2017 of a number of theoretical units which shall serve as the basis for calculating any shares to be delivered, subject to fulfilment of the objectives of the Plan in the year 2020.

The specific number of shares to be granted in the year 2020 shall depend on the performance of BME's Efficiency Ratio and Total Shareholder Return on its share price, compared with another five (5) benchmarked entities, and shall be calculated by dividing in two the number of theoretical units assigned in 2017, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking among the benchmarked companies.

The maximum number of shares included in the Plan is 190,263 shares, accounting for 0.23% of the share capital of BME, of which a maximum of 24,067 may be allocated to Mr. Antonio Zoido Martínez, 10,203 shares to Mr. Javier Hernani Burzako and 2,550 to Mr. Joan Hortalá i Arau, as executive Directors, accounting for 0.029%, 0.012% and 0.003% of the share capital of BME respectively

Share-based Variable Remuneration Plan approved on 26 April 2018.

This Plan is based on the allocation of a number of theoretical units in 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the Plan's objectives in 2021, 2022 and 2023, respectively.

The specific number of shares to be delivered shall depend on the evolution of the Total Shareholder Return (TSR) for the BME share in each of the Plan Measurement Periods, with respect to the evolution of this indicator for another five (5) benchmarked entities, provided this is positive, and shall be calculated by applying to the number of theoretical units allocated a coefficient between 0 and 1.5, depending on the position finally taken up in the classification of the five (5) benchmarked companies.

The maximum number of shares included in the Plan is 486,003 shares, accounting for 0.58% of the share capital of BME, of which a maximum of 67,719 may be allocated to Mr. Antonio Zoido Martínez, 41,097 to Mr. Javier Hernani Burzako and 10,092 to Mr. Joan Hortalá i Arau, as executive Directors, accounting for 0.081%, 0.048% and 0.012% of the share capital of BME, respectively.

In execution of this Plan, the Appointments and Remuneration Committee, at its meeting held on 28 May 2018, proceeded with allocation of the theoretical units corresponding to the first period of the Plan, i.e. from 1 January 2018 to 31 December 2020, under the following terms: 15,049 theoretical units to Mr. Antonio J. Zoido Martínez, 9,133 theoretical units to Mr. Javier Hernani Burzako and 2,243 theoretical units to Mr. Joan Hortalá i Arau.

Thus, the maximum theoretical number of shares that may be received in 2021 total 22,573 in the case of Mr. Zoido Martínez, 13,699 in the case of Mr. Hernani Burzako and 3,364 in the case of Mr. Hortalá i Arau, accounting for 0.027%, 0.016% and 0.004% of the share capital of BME, respectively.

Breakdown of the indirect holding:

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those stated in section A.6:

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship /post
Juan March Juan	Corporación Financiera ALBA, S.A.	Corporación Financiera ALBA, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación financiera ALBA, S.A.	Corporación Financiera ALBA, S.A.	CEO

Remarks.

Mr. Juan March Juan, who is an external proprietary Director of the Company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A. and Deputy Chairman of Artá Capital S.G.E.C.R., S.A., companies forming part of the significant shareholder's group.

Mr. Santos Martínez-Conde y Gutiérrez-Barquín, who is an external proprietary Director of the Company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A., Artá Capital S.G.E.C.R., S.A., Artá Partners, S.A., Deyá Capital, S.C.R., S.A. and Deyá Capital IV, S.C.R., S.A., companies forming part of the significant shareholder's group.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☒

State whether the company is aware of any concerted actions among its shareholders: If so, provide a brief description:

Yes ☐ No ☒

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☐ No ☒

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares.	Number of indirect shares (*)	Total percentage of share capital
604,003	0	0.72%

(*) through:

Explain any significant changes during the year:

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

Authorisation for the issue of shares.

Pursuant to item seven on the agenda, the Ordinary General Shareholders' Meeting on 28 April 2016 agreed to grant authorisation to the Board to increase share capital, within a maximum period of five (5) years, up to 50% of the Company's share capital at the time of such authorisation, on one or more occasions, in the amount determined by it, and to set the terms and conditions of the capital increase, and also granted authorisation to the Board to exclude preferential subscription rights, limited to share capital increases not exceeding, either individually or together, 20% of the Company's share capital at the time of such authorisation.

Pursuant to item eight on the agenda, the same Ordinary General Shareholders' Meeting empowered the Board of Directors to issue, among other instruments, securities convertible to and/or exchangeable for BME shares, and warrants (options to subscribe to new shares or to purchase outstanding shares of the Company), and other similar securities granting the direct or indirect right to subscribe to or to purchase new or outstanding Company shares, on one more occasions, within a maximum period of five (5) years from the date of adoption of said agreement, in a total maximum amount of €1,500 million, with authorisation extended to the following aspects and powers: to set the conditions for each issue; increase share capital by the amount necessary to cater for conversion or subscription requests; exclude preferential subscription rights; and determine the conversion and/or swap ratio, and the time of occurrence.

This agreement clearly stipulates that authorisation to increase share capital may only be exercised if the sum of the capital required to execute the issue of convertible debentures or bonds, the exercise of warrants and any other share capital increases agreed pursuant to the authorisations granted by the General Meeting do not exceed 50% of the Company's share capital at the time of authorisation, and 20% of this total share capital if the issue of convertible debentures or bonds or warrants on newly issued shares waives preferential subscription rights.

Authorisation to acquire treasury shares.

Pursuant to item eight on the agenda, the Ordinary General Shareholders' Meeting on 30 April 2015 agreed to grant authorisation to the Company's Board to, either directly or through any of its subsidiaries, over a maximum period of five (5) years from the date of approval, at any time and on as many occasions as it deems appropriate, proceed to purchase shares in compliance with the conditions established in the legislation applicable, and particularly the following: (i) that at no time may the nominal value of the treasury shares purchased, directly or indirectly, when added to any already held by BME and its subsidiaries, exceed 10% of BME's subscribed share capital; (ii) that purchase may not render equity less than the amount of share capital plus the reserves legally restricted or restricted by the Articles of Association; (iii) that the shares acquired must be fully paid up and free of any liens or encumbrances, and not subject to the fulfilment of any kind of obligation; and (iv) that the acquisition price per share must not be less than the par value or more than 20% of the share price listing on the Spanish Electronic Trading Platform (SIBE) at the time of the acquisition.

A.11 Estimated working capital:

	%
Estimated working capital	87.06

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments:

Yes ☒ No ☐

Description of restrictions.

There are no restrictions under the law or under the Articles of Association on the acquisition or transfer of stakes in BME's equity, notwithstanding the stipulations below.

Despite the absence of legal restrictions on the acquisition of a shareholding in BME, the revised text of the Ley del Mercado de Valores (hereinafter, Spanish Securities Market Act), approved by Royal Legislative Decree 4/2015 of 23 October, grants the CNMV the power to object to the acquisition of significant stakes in the capital of BME pursuant to Royal Decree 361/2007 of 16 March implementing Securities Market Act 24/1988 of 28 July concerning stakes in the capital of companies which manage secondary markets or securities registration, clearing and settlement systems.

In accordance with the aforementioned Royal Decree the CNMV must be previously informed of any acquisition of BME shares which could reach directly or indirectly any of the following percentages of its capital or voting rights: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%, or a lesser percentage that nonetheless permits the exercise of significant influence over the Company. "Significant influence" shall in any case be understood as the ability to appoint or remove at least one member of the Board of Directors.

The CNMV shall have a time limit of sixty business days from the date of its acknowledgement of receipt of the notification to object to the intended acquisition, notwithstanding interruptions in the computation of the time limit allowed under Article 86 bis of Royal Decree 217/2008 of 15 February, partially amended by Royal Decree 1464/2018 of 21 December in relation to Article 176 of the Spanish Securities Market Act. If, during this time, the CNMV issues no statement, no objection shall be deemed to exist.

Pursuant to the provisions of Royal Decree 361/2007 of 16 March, this period is reduced for acquisitions of a significant stake equal to or higher than 1% but lower than 5%, or equal to or greater than 5% but less than 10%, of the Company's capital, in which case it shall be understood that the CNMV does not object if it has not issued a statement within the ten (10) business days or thirty (30) business days, respectively, following the date on which the information is relayed or from the time at which any additional information is furnished.

The CNMV may challenge the acquisition proposed if it considers there are reasonable grounds for doing so on the basis of the criteria established by Commission Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on information and requirements for the authorisation of investment firms, and furthermore when it considers this is necessary to guarantee proper functioning of markets or to prevent any distortions in markets, and if equivalent treatment of Spanish companies is not forthcoming in the country of origin of the acquirer, or of the party that controls the acquirer directly or indirectly. The CNMV shall notify the Ministry of Finance and Businesses of its objection to the significant holding and the reasons on which this is based.

In addition, even though there are no legal restrictions on voting rights, Article 178 of the Spanish Securities Market Act restricts the exercise of this right in the event of the irregular acquisition of significant holdings, i.e. shares acquired without the preceptive authorisation of the CNMV, in the terms described.

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007:

Yes ☐ No ☒

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14 State if the company has issued shares that are not traded on a regulated EU market:

Yes ☐ No ☒

If so, please list each type of share and the rights and obligations conferred on each.

B. General Shareholders' Meeting

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes ☐ No ☒

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐ No ☒

Describe how it is different from that contained in the LSC.

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The Articles of Association and the General Shareholders' Meeting Regulations set no special rules for amendments to the Articles of Association.

The procedure for amending the Articles of Association is governed by Articles 285 and following of the Corporate Enterprises Act, according to which changes in the Articles of Association must be agreed by the Shareholders' Meeting and the following requirements must be met:

a) The Directors or, as appropriate, the shareholders submitting the proposal, shall draft the wording of the proposed amendment in full and shall also draft a written report justifying the proposal.

b) The notice convening the Shareholders' Meeting must clearly set out the points to be amended and make reference to shareholders' right to inspect, at the registered office, the full text of the proposed amendments and of their supporting rationale, and to demand gratuitous delivery of such documents, which must also be made available to shareholders on the corporate website in accordance with Article 518 of the Corporate Enterprises Act.

c) The resolution must be approved at the General Shareholders' Meeting in accordance with the rules on quorum and majorities laid down in Articles 194 and 201 of the Corporate Enterprises Act.

Article 197 bis of the Corporate Enterprises Act includes the requirement for separate votes on items or groups of items that are substantially independent and, under all circumstances, amendments to the Articles of Association.

As well as being subject to the normal rules governing Spanish public limited companies, as a holding vehicle for companies that manage central counterparties, central securities depositories and secondary markets in Spain, BME is also subject to Additional Provision Six of the Spanish Securities Market Act, which states that amendments to its Articles of Association must be authorised by the CNMV.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
28/04/2016	14.16%	27.90%	0.06%	1.41%	43.53%
Of which, free float:	1.00%	27.44%	0.06%	1.41%	29.91%
27/04/2017	16.08%	27.02%	0.09%	1.49%	44.68%
Of which, free float:	3.34%	27.02%	0.09%	1.49%	31.94%
26/04/2018	14.02%	28.23%	0.06%	1.09%	43.40%
Of which, free float:	1.26%	28.23%	0.06%	1.09%	30.64%

B.5 State whether at the general meetings held during the year any items on the agenda were not approved by the shareholders for any reason:

Yes ☐ No ☒

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐ No ☒

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

Yes ☐ No ☒

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

In the "Shareholders and Investors" section of the corporate website, www.bolsasymercados.es

C. Company Administrative Structure

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	9
Number of directors set by the general meeting	13

C.1.2 Please complete the following table on directors:

Name of director		Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Antonio J. Zoido Martínez	-	Executive	Chairman	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Javier Hernani Burzako	-	Executive	CEO	27/04/2017	27/04/2017	General Shareholders' Meeting Resolution
Ignacio Garralda Ruiz de Velasco	-	Independent	First Deputy Chairman	27/02/2014	26/04/2018	General Shareholders' Meeting Resolution
David María Jiménez-Blanco Carrillo de Albornoz	-	Independent	Lead Independent Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
María Helena Dos Santos Fernandes de Santana	-	Independent	Director	28/04/2016	28/04/2016	General Shareholders' Meeting Resolution
Ana Isabel Fernández Álvarez	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Joan Hortalá i Arau	-	Executive	Director	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Juan March Juan	-	Proprietary	Director	30/10/2014	30/04/2015	General Shareholders' Meeting Resolution
Isabel Martín Castellá	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Santos Martínez-Conde y Gutiérrez Barquín	-	Proprietary	Director	30/10/2014	30/04/2015	General Shareholders' Meeting Resolution
Juan Carlos Ureta Domingo	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Total number of directors						**11**

Board of Directors of BME.

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Manuel Olivencia Ruiz	Independent	30/04/2014	01/01/2018	Appointments And Remuneration Committee	Yes
Margarita Prat Rodrigo	Independent	30/04/2014	26/04/2018	Executive Committee Audit Committee	No
Álvaro Cuervo García	Independent	30/04/2014	26/04/2018	Executive Committee Audit Committee Appointments And Remuneration Committee	No
Karel Lannoo	Independent	30/04/2014	26/04/2018	Markets And Systems Operating Procedures Committee	No
Carlos Fernández González	Other External Director	30/04/2014	26/04/2018	Appointments And Committee Remuneration	No

Reason for leaving and other remarks.

Mr. Manuel Olivencia Ruiz passed away on 1 January 2018. Ms. Margarita Prat Rodrigo, Mr. Álvaro Cuervo García, Mr. Karel Lannoo and Mr. Carlos Fernández González departed their Company directorships on 26 April 2018 as these were about to expire and, for various reasons, they could not be renewed.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS.

Name or company name of director	Post in organisational chart of the company
Antonio J. Zoido Martínez	Chairman
Profile	
Graduated in Law from Madrid's Complutense University. Furthered his studies in other European and American institutions.	
He was Chairman of the World Federation of Exchanges (WFE) from 2001 to 2002 and of the Federation of European Stock Exchanges (FESE) from 1996-1998. Chairman of Servicio de Compensación y Liquidación de Valores, S.A. (2000 to 2002). Chairman of Sociedad de Bolsas, S.A. (1994-2002). MEFF Vice-Chairman (1991-2004). Director of the International Accounting Standards Committee (IASC). Trustee of the International Financial Reporting Standards Foundation (IFRS), supervisor of the International Accounting Standards Board (IASB) (2010-2016). Chairman of the European Capital Markets Institute. Board member of Santander Investment Finance, S.V., S.A. and of Santander Consumer Finance, S.A.	
He is currently Executive Chairman of Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A., and Chairman of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. He is a director of Sociedad de Bolsas, S.A. He is a member of the Advisory Board of Clearstream International, Director of Operador del Mercado Ibérico de Energía-Polo Español, S.A. (OMIE), and representative of BME as member of the Board of Directors of Operador do Mercado Ibérico (Portugal) SGPS, S.A. (OMIP).	
He is also Chairman of the Social Council of the University of Extremadura and Vice-Chairman of the National Archaeological Museum's Board of Trustees.	

Name or company name of director	Post in organisational chart of the company
Javier Hernani Burzako	CEO

Profile

Graduated in Economics and Business Management from the University of Deusto; a Master's Degree in European Studies, specialising in Economics, from the College of Europe in Bruges (Belgium); and a Master's Degree in Advanced Management from the University of Deusto, where he completed his PhD.

He has been CEO of BME since April 2017.

Between December 2012 and April 2017 he served as Managing Director of BME, where since March 2003 he has worked as Finance Director and member of the Coordination Committee.

In the Group, he is Director of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. and of Bolsas y Mercados Españoles Market Data, S.A., and joint director of BME Inntech, S.A.U. and of Bolsas y Mercados Españoles, Servicios Corporativos, S.A.

Previously, he was Deputy General Manager of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. (December 1998-March 2003), which he represented as a member of the Board of Directors of Servicio de Compensación y Liquidación de Valores (SCLV) until it merged with Iberclear. He sat on the Contracts and Supervisory Committee of MEFF until it merged with BME, and on various international forums such as the Federation of Ibero-American Stock Exchanges (FIABV) and the World Federation of Exchanges (WFE). He also served as Finance Director at Norbolsa, S.V.B. between September 1989 and December 1998, and as European financial sector consultant at Coopers & Lybrand in Brussels between June 1988 and August 1989.

Name or company name of director	Post in organisational chart of the company
Joan Hortalá i Arau	Director

Profile

Professor of Economic Theory at Barcelona University.

Business professor, Graduate in Law, with a degree and PhD in Economics, with the Extraordinary Prize, from Barcelona University. He obtained diplomas from a number of foreign universities and is a Doctor in Economics from the London School of Economics and Political Science. Member of the Royal Academy of Economic and Financial Sciences.

Previously Dean of the Economics Faculty, and has held various posts at Barcelona University and on Spain's Scientific Research Council. He is the author of various books covering his specialist subject and publishes works and articles in Spanish and foreign journals. He has overseen 46 PhD theses. He is Manager of "Cuadernos de Economía". He is a member of the Advisory Board of the Autonomous University of Madrid.

He has been Councillor on the Barcelona City Council, member of the Catalan Parliament and Industry and Energy Director for the Catalan regional government.

Has held directorships at various public and private companies. Within the Group he has been Director of Servicio de Compensación y Liquidación de Valores, S.A. and Iberclear and Vice-Chairman of MEFF. He currently chairs Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U. and is Director of Sociedad de Bolsas, S.A. and of the Iberoamerican Federation of Exchanges (FIAB).

Total number of executive directors	**3**
Percentage of Board	**27.27%**

PROPRIETARY DIRECTORS.

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
Juan March Juan	Corporación Financiera Alba, S.A.
Profile	
Degree in Business Administration and Management from the Colegio Universitario de Estudios Financieros (CUNEF) and an Executive MBA from IESE. *From 2006 to 2009 he worked at Goldman Sachs (London) where he performed his activities in the advisory service departments in the natural resources, energy, industrial, transport and infrastructure industries, and in trading, corporate finance and similar transactions in the capital markets for Euro-Asian companies.* *In 2009 he joined the March Group as Associate Director of Artá Capital, S.G.E.C.R., S.A., a venture capital company with approximately €800 million in assets under management, used to channel the development capital investment of CFA and other private investors.* *In 2010 Mr. March Juan was appointed Director of Corporación Financiera Alba, S.A.* *In 2012 he was appointed a member of the Board of Banca March, S.A.* *He is currently Deputy Chairman of Corporación Financiera Alba and of Artá Capital.* *He is a Director of Mecalux, S.A., and has been a member of the Board of Directors of the Pepe Jeans-Hackett Group, Cobra Gestión de Infraestructuras, S.A. and OCIBAR, S.A.*	

Name of director	Name or company name of significant shareholder represented or that has proposed their appointment
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación Financiera Alba, S.A.
Profile	
A civil engineer, with a Master's Degree in Business Administration and Management and a Degree in Nuclear Technology from the Universidad Pontificia de Comillas ICAI-ICADE. *Between 1979 and 1998 he worked in a professional capacity at a number of engineering companies and also in the financial sector: Sener, Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A.* *Mr. Martínez-Conde y Gutiérrez-Barquín has also held the position of Director at many listed and unlisted companies.* *Mr. Martínez-Conde is currently the Chief Executive Officer of Corporación Financiera Alba, S.A., and holds the position of Director at Banca March, S.A., Acerinox, S.A., Indra Sistemas, S.A., CIE Automotive, S.A., Artá Capital, S.G.E.C.R., S.A., Artá Partners, S.A., Deyá Capital, S.C.R., S.A. and Deyá Capital IV, S.C.R., S.A.*	

Total number of proprietary directors	**2**
Percentage of the Board	**18.18%**

INDEPENDENT DIRECTORS.

Name of director
Ignacio Garralda Ruiz de Velasco
Profile
Graduate in Law from Madrid's Universidad Complutense. *He was Trade Collegiate Broker between 1976 and 1982, when he gained his qualification to act as Forex and Stock Market Broker and began work at the Madrid Stock Exchange. He has been a Notary on unpaid leave since 1989.* *He was Founding Member of AB Asesores Bursátiles, S.A., where he served as Vice- Chairman until 2001. He was Vice-Chairman of AB Morgan Stanley Dean Witter, S.V., S.A. (1989 to 2001) and Chairman of Bancoval, S.A. (1994 - 1996). Between 1991 and 2009 he was a Director of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.* *He has been Chairman of Mutua Madrileña since 2008, where he has been a Director since 2002, and was Second Vice-Chairman from 2005 to 2008. He was appointed CEO on 27 June 2013, and was renewed in the post on 14 May 2015.* *He has also worked as external proprietary Director at Caixabank, S.A. since 2017, and as external independent Director at ENDESA since 2015. Between 2013 and 2017 he was a Director at Faes Farma, S.A. and Consorcio de Compensación de Seguros.* *He is Deputy Chairman of Fundación Lealtad and member of the Board of Trustees of Museo y Fundación Reina Sofía, Fundación Teatro Real, Real Instituto Elcano and Fundación Príncipe de Asturias.*

Name of director
David María Jiménez-Blanco Carrillo de Albornoz
Profile
Graduate in Economics and Business from the Colegio Universitario de Estudios Financieros (CUNEF). *Since 2016, he has served as General Manager of Strategy and Restructuring at Abengoa, S.A.* *In 2018 he was appointed external independent Director of Árima Real Estate Socimi, S.A., and is Chairman of its Audit and Control Committee and a member of its Appointments and Remuneration Committee.* *Since 2010 he has served as a Director and member of the Investment Committee at Gawa Capital Management, an investment management firm.* *Between 2014 and 2018 he was an independent external Director at Axiare Patrimonio Socimi, S.A., where he served as Chairman of the Audit Committee until 2017, and as Chairman of the Remuneration Committee from 2017 to 2018. He has also been a Trustee of Fundación Pablo Horstmann since 2018.* *In 2011 and 2012, he was an independent Director and member of the Audit Committee at Atento Inversiones y Teleservicios, S.A.* *Between 2013 and 2016 he was Chief Financial Officer (CFO) at World Duty Free Group, and between 2010 and 2013 he was Co-Founder and Partner at BK Partners, an investment management firm.* *Between 2006 and 2009, he was Chairman and Chief Executive Officer at Merrill Lynch Capital Markets España, S.A., S.V., serving as Head of Global Markets and Investment Banking for Spain and Portugal. Furthermore, he was a member of the Investment Banking Operating Committee for Europe, the Middle East and Africa at Merrill Lynch.* *Between 1995 and 2006 he worked at Goldman Sachs International, in different positions at the London and Madrid offices. Between 2004 and 2006 he served as Managing Director.*

Name of director
María Helena dos Santos Fernandes de Santana
Profile
She is a member of the Board of Directors, Coordinator of the Staff, Appointments and Governance Committee and member of the Audit, Risk and Controls Committee at OI, S.A., a member of the Audit Committee at ITAU UNIBANCO HOLDING, S.A.; and of XP Investimentos, S.A.; coordinator of the Audit Committees Forum at IBGC - Instituto Brasileño de Gobernanza Corporativa since 2017; member of the Management Board at the IBGC FOUNDATION, a body forming part of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB); and a member of the Consultative Committee of the MERCADO DE GOVERNANÇA DE ESTATAIS de BM&FBOVESPA and of the Mergers and Acquisitions Committee ("CAF"), and also a member of the B3 Issuers and Structurers Market Consultative Committee. *She was also a member of the Board of Directors and Chairman of the Corporate Governance Committee at COMPANHIA BRASILEIRA DE DISTRIBUIÇÂO, S.A. between 2013 and 2017; a member of the Board of Directors and Coordinator of the Audit Committee at TOTVS, S.A. between 2013 and 2017; a member of the Board of Directors at CPFL ENERGÍA, S.A. between 2013 and April 2015; Executive Chairman of the Brazilian Securities And Exchange Commission (COMISIÓN DE VALORES MOBILIARIOS (CVM)) between 2007 and 2012; Director of this Commission between 2006 and 2007; and representative of the Commission on the FINANCIAL STABILITY BOARD (FSB) between 2009 and 2012.* *She was previously Chairman of the Executive Committee of the International Organisation of Securities Commissions (IOSCO) between 2011 and 2012, while also a member of the INTERNATIONAL INTEGRATED REPORTING COMMITTEE (IIRC); and Vice-Chairman of the Brazilian Institute of Corporate Governance or INSTITUTO BRASILEIRO DE GOVERNANÇA between 2004 and 2006, and member of its Board of Directors since 2001.* *She worked in Special Projects at the SÂO PAULO STOCK EXCHANGE (now known as B3) between 1994 and 2006, and was Executive Superintendent of Corporate Relations between 2000 and 2006. In this post, she was responsible for the supervision of listed companies and development of the "Novo Mercado" or New Market segment, which requires high standards of corporate governance.*

Name of director
Ana Isabel Fernández Álvarez
Profile
Degree and Doctorate from the Faculty of Economics and Business, University of Oviedo. *She is professor of Financial Economics at the University of Oviedo since January 1991 and Colegio Universitario de Estudios Financieros, CUNEF, since September 2014.* *She is currently Director of Colegio Universitario de Estudios Financieros and Managing Director at CUNEF, S.L. She sits on the Board of Directors and has been a member of the Audit and Compliance Committee and Risk Committee at Mapfre, S.A. since July 2016. She is also a member of the Board at Mapfre Global Risks and Mapfre RE Compañía de Reaseguros, S.A. In addition, she has been a member of the Board of Trustees at the Princess of Asturias Foundation since March 2015 and the Banco Sabadell Foundation since January 2015.* *Between 2010 and 2014, she was a Director at the National Securities Market Commission and since 2011 has undertaken international duties at the European Securities and Markets Authority (ESMA). Since February 2015, she has been a member of the Corporate Reporting Consultative Working Group (CWG CR) and previously, a member of its Board (June 2011 to June 2013), member of the Financial Innovation Standing Committee (FISC) (November 2011 to July 2014) and member of the Financial Innovation and Consumer Protection Subcommittee of the Joint Committee of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) (June 2012 to July 2014).* *She has published numerous articles in renowned magazines in the field of corporate finance, corporate governance and banking and financial regulations, and has participated at a range of national and international forums. She has served as the Chair of the Scientific Association of Business Management and Economy (ACEDE) and editor of the magazine CEDE.*

Name of director
Isabel Martín Castellá
Profile
Graduate in Economics and Business from the Complutense University, Madrid. In 1997, she passed the entrance exam and was accepted into Spain's Higher Corps of Commercial Technicians and Economists. *Since 2015, she has sat on the Board of Directors at Sacyr, S.A., as an independent Director, chairing its Audit and Corporate Governance Committee.* *Furthermore, since 2017 she has sat on the Board of Directors at Unicaja Banco, S.A. as an independent Director and Lead Director, Chairman of the Risk Committee and a member of the Audit and Regulatory Compliance Committee.* *She is a member of the Advisory Board at Venture Capital Management Firm GED and sits on the Board of GED Infraestructuras.* *Between 1977 and 1985, she occupied a range of posts at the Ministry of Finance and the Ministry of Trade and Tourism; and between 1985 and 1987 she served as Chief of Staff to the Vice-Chairman of the Spanish Institute of Industry (INI), and sat on the Board of a range of companies in the INI Group and on the Economic and Social Committee of the European Communities.* *She served as Deputy Manager at Banco Central Hispano and Banco Santander between 1987 and 2000. Between 2000 and 2006, she was Vice-Chairman and member of the Board of Directors at the European Investment Bank (EIB) in Luxembourg. Between 2006 and 2011, she occupied the post of Manager of the Madrid International Financial Centre Association. Furthermore, in 2012 and 2013, she was Chair of the Spanish State-owned company, Expansión Exterior.* *Between 2013 and September 2015, she was a member of the Supervisory Board of ING Verzekeringen N.V, the insurance holding of ING Groep N.V, now Nationale Nederlanden N.V., and until 2017 she sat on the Supervisory Board of ING Groep N.V. and ING Bank. N.V. Holding.*

Name of director
Juan Carlos Ureta Domingo
Profile
Graduate in Law and Economics (Lawyer specialising in economics) from the University of Deusto (Bilbao). He successfully became a State Attorney in 1980 (currently on unpaid leave), and has worked as a stockbroker at the Madrid Stock Exchange since 1986. *He is currently executive Chairman of Renta 4 Banco S.A.* *He is also a member of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. and of Saint Croix Holding Immobilier, SOCIMI, S.A., and consultant to a range of Spanish and foreign business groups.* *Between 2010 and 2016, he was Chairman of the Financial Studies Foundation and Spanish Institute of Financial Analysts. Between 2002 and 2006 Mr. Ureta served as a member of the Board of Directors at BME and previously, between 1996 and 2003, he sat on the Board of Servicio de Compensación y Liquidación de Valores (now Iberclear).*

Number of independent directors	**6**
Percentage of the Board	**54.55%**

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

OTHER EXTERNAL DIRECTORS.

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Total number of other external directors	**N.A.**
Percentage of the Board	**N.A.**

State any changes in status that has occurred during the period for each director:

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2018	FY 2017	FY 2016	FY 2015
Executive					0.00%	0.00%	0.00%	0.00%
Proprietary					0.00%	0.00%	0.00%	0.00%
Independent	3	2	2	1	50%	33.33%	33.33%	20.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	**3**	**2**	**2**	**1**	**27.27%**	**16.67%**	**16.67%**	**9.09%**

Remarks.

At 31 December 2018 and 2015, the Board of Directors contained eleven (11) Directors, and of twelve (12) Directors at 31 December 2017 and 2016. At 31 December 2018, 2017 and 2016 the Board of Directors contained six (6) independent Directors, and five (5) independent Directors at 31 December 2015.

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity:

Yes ☐ No ☐ Partial policies ☒

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved.

Since 2014 the Board of Directors has operated medium and long-term planning of the structure and composition of the Board (hereinafter, "Medium and long-term Planning for the Board of Directors"), which includes the criteria that must determine the structure and composition of the Board of Directors, and defines the profile of knowledge, skills and professional experience required of Board appointees in due consideration of each category.

For the selection of candidates to independents Directors or "other external Directors", and for the Board of Directors to reflect diversity of knowledge and professional experiences, the Appointments and Remuneration Committee considers whether their professional experiences and profiles differ from and are complementary to those of the other members of the Board of Directors at any given time. Moreover, the Appointments and Remuneration Committee, as part of its competence for proposing the appointment of Directors considered independent or "other external Directors", ensures that the selection process takes account of gender diversity criteria, to give priority to criteria relating to the professional experience and profiles of candidates, and the nationality or habitual residence of candidates, circumstances which may be considered relevant for the purposes of giving the Board of Directors an alternative vision from the point of view of culture.

The courses of action intended to attain a balanced presence in terms of gender diversity in 2018, and the outcome of these, are described in section C.1.7 of this report.

Regarding the appointment of candidates as proprietary Directors, it should be pointed out that, since the proposal to appoint the person to take up the directorship is the exclusive prerogative of the significant shareholder, the Appointments and Remuneration Committee shall be notified that there was no gender discrimination in the selection process.

In any case, selection criteria in relation to profiles and professional experience are given priority in the process of identification of candidates for the posts of executive Directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means.

At its meeting on 23 December 2015, the Appointments and Remuneration Committee agreed to set the target for the gender with the lesser representation on the Board of Directors at 30% of the total number of Directors and, in order to attain this percentage, agreed that for each vacancy for an independent Director to be filled, at least 50% of the professional CVs considered by the Appointments and Remuneration Committee would belong to women.

Within the scope of its duty to propose the appointment of independent Directors and "other external Directors", the Appointments and Remuneration Committee, particularly in 2018, has actively sought female candidates to fill vacancies for independent directorships arising since the Company's shares were first admitted for trading, also ensuring that the Director selection processes do not discriminate due to gender diversity.

As a result of these measures, the majority of the proposed appointees as independent Directors submitted by the Appointments and Remuneration Committee since shares were admitted for trading on the Stock Exchanges have been women. It should be pointed out that in 2018, of the four (4) proposed appointees as independent Directors, two (2) were female, which is 50% of the proposed appointments.

Moreover, with regard to the other categories of Director, the Appointments and Remuneration Committee ensures that selection procedures are not biased against female candidates.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Medium and long-term Planning for the Board of Directors, mentioned above in section C.1.5 of this report, includes the agreement by the Appointments and Remuneration Committee to set the percentage of the gender with lesser representation on the Board of Directors as 30% by the year 2020.

Following a proposal by the Appointments and Remuneration Committee, in 2017 the Board of Directors approved an internal procedure for selection of candidates for independent Directors or "other external Directors" (hereinafter, the procedure for selection of candidates as Directors) the purpose of which was an orderly planned proposal of these categories of Director to fill any vacancies arising on the Board of Directors at any given time.

In the same year, following the expiry of the terms of six (6) Directors, five (5) of which could not be re-elected for various reasons, the Appointments and Remuneration Committee, on the basis of the medium and long-term planning of the Board of Directors, embarked upon an analysis of the composition and structure of the Board, with a particular focus on the personal and professional competences that should be offered to this body, and consequently to its Committees, to make the composition balanced and well suited to its requirements.

In this exceptional situation, the Appointments and Remuneration Committee felt it was advisable to carry out the different phases of the procedure to select candidates for Directors in order to ensure the procedure took place in an organised and planned manner, with the active participation of members of the Board of Directors in the proposals of appointees in order to successfully renew the management body.

Firstly, the Appointments and Remuneration Committee determined the personal and professional profile of candidates for Directors, a process which considered criteria of diversity in the selection process, diversity of gender and also professional experience and nationality, or place of residence, with a particular emphasis on a search for female profiles.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected the independent expert from different companies with which it would work to identify candidates.

Subsequently, when the personal and professional profiles of candidates for directorships had been determined, the Appointments and Remuneration Committee issued a request for members of the Board of Directors and the independent expert to submit their proposals.

Following an analysis of the professional CVs received, the Appointments and Remuneration Committee verified the coincidence of general requisites for Directors candidates and the specific requisites for independent Directors, and submitted a proposal to the Board of Directors of the candidates it felt were most suitable and most in line with the needs of the Board of Directors. At the behest of the Appointments and Remuneration Committee, the Board of Directors submitted to the Ordinary General Shareholders' Meeting the re-election of the independent Director whose term was expiring and could be renewed, and the appointment of four (4) independent Directors, of which two (2) were women.

The Appointments and Remuneration Committee considers that the level of compliance of the medium and long-term planning of the Board of Directors and the procedures for selection of candidates throughout 2018 was satisfactory, since it permitted the Appointments and Remuneration Committee and the Board of Directors to assess the diversity of knowledge, competence and experience on the Board of Directors and the personal and professional characteristics that candidates must have to meet the needs of the body and its delegated Committees as a result of the considerable number of vacancies that would be arising on the Board of Directors.

Specifically, the Appointments and Remuneration Committee appreciated as a positive move the measures adopted to increase the presence of female Directors on the Board of Directors, which stood at 27.27% of the total members of the Board, thereby moving closer to the target of 30% of Board members for the gender with lesser representation.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐ No ☒

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director
Antonio J. Zoido Martínez
Brief description
Pursuant to the provisions of Article 13 of Board of Directors Regulations, the Chairman of the Board shall be the Company's most senior institutional representative, have the power to represent it on an individual basis and be the guiding force behind the governance of the Company and Group companies, also fomenting the Board's functions of driving, directing and supervising the Company's ordinary business, and watching over the Board's responsibilities with regard to relations with shareholders and the markets. These powers include the commercial and legal representation of the Company, representation of the Company at Shareholders' meetings and meetings of the Board of Directors and similar Boards of companies in which it holds a stake; the power to incorporate companies, associations, foundations and all types of legal entities; the power to hire and dismiss employees, establish their duties and compensation; draw up all types of contract in the name of the Company; delegate power to whoever they see fit and other powers necessary to run of the business.

Name of director
Javier Hernani Burzako
Brief description
By virtue of the agreement adopted by the Board of Directors on 27 April 2017, all powers of the Board of Directors have been delegated to the Chief Executive Officer, with the exception of those that cannot be delegated by law.

Name of director
Executive Committee
Brief description
By virtue of the agreement adopted by the Board of Directors on 27 July 2006, all powers of the Board of Directors have been delegated to the Executive Committee, with the exception of those that cannot be delegated by law.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Antonio J. Zoido Martínez	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Chairman	Yes
Antonio J. Zoido Martínez	Sociedad de Bolsas, S.A.	Deputy Chairman	No
Javier Hernani Burzako	Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U.	Director	No
Javier Hernani Burzako	Bolsas y Mercados Españoles Market Data, S.A.	Director	No
Javier Hernani Burzako	Bolsas y Mercados Españoles Servicios Corporativos, S.A.	Joint Director	Yes
Javier Hernani Burzako	Bolsas y Mercados Españoles Inntech, S.A	Joint Director	Yes
Joan Hortalá i Arau	Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.	Chairman	Yes
Joan Hortalá i Arau	Sociedad de Bolsas, S.A.	Director	No
Juan Carlos Ureta Domingo	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Director	No

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Ignacio Garralda Ruiz de Velasco	CAIXABANK, S.A.	Director
Ignacio Garralda Ruiz de Velasco	ENDESA, S.A.	Director
David María Jiménez-Blanco Carrillo de Albornoz	ÁRIMA REAL ESTATE, SOCIMI, S.A.	Director
Juan March Juan	CORPORACIÓN FINANCIERA ALBA, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	CORPORACIÓN FINANCIERA ALBA, S.A.	CEO
Santos Martínez-Conde y Gutiérrez-Barquín	ACERINOX, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	INDRA SISTEMAS, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	CIE AUTOMOTIVE, S.A.	Director
Ana Isabel Fernández Álvarez	MAPFRE, S.A.	Director
Isabel Martín Castellá	SACYR, S.A.	Director
Isabel Martín Castellá	UNICAJA BANCO, S.A	Director
Juan Carlos Ureta Domingo	RENTA 4 BANCO, S.A.	Chairman
Juan Carlos Ureta Domingo	SAINT CROIX HOLDING IMMOBILIER SOCIMI, S.A.	Director
Maria Helena dos Santos Fernandes de Santana	OI, S.A.	Director

Remarks.

María Helena dos Santos Fernandes de Santana is a member of the Audit Committee at ITAU UNIBANCO HOLDING, S.A and at XP INVESTIMENTOS, S.A.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☒ No ☐

Explanation of the rules and identification of the document where this is regulated.

Article 23 of the Board of Directors' Regulations establishes that the Company's non-executive Directors may not hold directorships in more than four (4) companies whose shares are listed for trading on domestic or foreign stock exchanges. Directorships in companies belonging to the same Group and those in representation of the same significant shareholder they represent in the Company shall be considered a single post. Executive Directors may not hold directorships at any listed company.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousands euros)	3,071 (*)
Amount of vested pension interests for current members (thousands euros)	2,629
Amount of vested pension interests for former members (thousands euros)	0

Remarks.

(*) This figure does not include the value of shares that, if appropriate, shall be transferred to executive Directors on the expiry of the third validity period of the medium-term variable remuneration plan described in section A.3 of this Report.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year: (*)

Name or corporate name	Post(s)
Ramón Adarraga Morales	Director Of Information And Added-Value Services
Jaime Aguilar Fernández-Hontoria	Director Of Legal Council
Marta Bartolomé Yllera	Finance Director
Jesús Benito Naveira	Head Of Settlement And Registration
Luis María Cazorla Prieto	General Secretary And Secretary To The Board
Pablo Malumbres Muguerza	Director Of Corporate Communications
Francisco Nicolás Tahoces	Technology Director
Arantza Tellería de la Fuente	Director Of Internal Audit Department
Jorge Yzaguirre Scharfhausen	Chairman Of Meff And Bme Renta Fija And Director Of Equities, Derivatives And Fixed Income
Total senior management remuneration (thousands euros)	**3,002 (**)**

Remarks.

(*) Senior management includes members of the Management Committee and the General Secretary and Secretary to the Board and, in accordance with the instructions in the model corporate governance report, the Head of the Internal Audit Department.

(**) The total remuneration received by senior management includes remuneration received from both BME and other Group companies.

This amount includes the estimated amount of variable remuneration for 2018; post-employment benefits in favour of these executives in the amount of €38,000, consisting of the annual periodic contribution to the insurance arranged as a supplementary pension; premiums payable for a collective life assurance policy carrying social provision benefits to cover retirement, death and permanent disability; and the Group's contributions to defined-contribution plans.

This figure does not include the €284,000 paid in 2018 to members of senior management as per diems, or the amount of the shares that, where appropriate, shall be received by members of senior management as a result of expiry of the third validity period of the Share-based Variable Remuneration Plan described in section A.3 of this Report.

C.1.15 State whether the Board rules were amended during the year:

Yes ☒ No ☐

Description of amendment.
At its meeting on 31 January 2018, the Board of Directors agreed to amend Article 21.2 c) of Board of Directors Regulations for the purposes of adaptation to the competences attributed to the Markets and Systems Operating Procedures Committee by the BME Group's new Internal Code of Conduct in terms of its interpretation and monitoring.

Pursuant to the provisions of Article 528 of the Corporate Enterprises Act, the Company notified to the Ordinary General Shareholders' Meeting on 26 April 2018 of this amendment to the Board of Directors Regulations, which was registered in the Mercantile Registry on 17 July 2018.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Procedures for appointing, re-electing, evaluating and removing Directors are described in Articles 26, 36 and 38 of the Articles of Association and Articles 6, 10, 20, 22 and 23 of its Board of Directors Regulations. The criteria for selection of candidates are set out in the Medium and long-term Planning for the Board of Directors referred to in section C.1.5 of this report, implemented by the Board of Directors at the behest of the Appointments and Remuneration Committee in the "Procedure for the selection of candidates qualifying as independent or "other external Directors".

1.- Appointment.

1. A.- Responsibility.

The number of Company Directors as per the maximum (15) and minimum (9) set by the Articles of Association, as well as the appointment of Directorships, shall be established at the General Shareholders' Meeting.

In accordance with the agreement approved at the Ordinary General Shareholders' Meeting held on 27 April 2017, the Board of Directors shall comprise thirteen (13) members.

However, if any vacancies exist, the Board of Directors, by virtue of the powers of co-option legally attributed to it, may appoint the persons to fill these vacancies until the next General Shareholders' Meeting is held, for which the condition of shareholder shall not be necessary. Should a vacancy arise after the General Shareholders' Meeting has been called but before it has been held, the Board of Directors may appoint a Director until the next General Shareholders' Meeting is held.

1. B.- Appointment requirements.

Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of acknowledged prestige, solvency and honourability, who have the necessary expertise for the performance of their functions. Moreover, those who have reached the age of 75, in the case of non-executive Directors, and the age of 70 in the case of executive Directors, cannot be appointed or re-elected as Directors.

The Medium and long-term planning for the Board of Directors sets out the additional requirements that must be met by the candidates for Director depending on the category of directorship that they are to undertake.

The proposed Board candidates must not be affected by any conflict of interests or prohibition set out in the Articles of Association and Board of Directors Regulations, and need not be shareholders to be appointed as Directors.

In accordance with the provisions of Article 23 of the Board of Directors Regulations, the Company's non-executive Directors may only hold the position of director on four (4) Boards of companies the shares of which are admitted for trading on Stock Exchanges, in the terms set out in section C.1.12 of this report, and executive Directors may not hold the position of director in any listed company.

1. C.- Term of office.

The Directors shall hold office for a period of four (4) years and may be re-elected on one or more occasions for the same term of office.

1. D.- Procedure.

The Appointments and Remuneration Committee is responsible for proposing the appointment or re-election of members of the Board of Directors if they are independent or other external Directors, and the Board of Directors is responsible for doing so in all other cases. In the latter case, a preliminary report shall be issued by the Appointments and Remuneration Committee.

Pursuant to regulations, the proposals for appointment shall be accompanied by an explanatory report by the Board of Directors in which the proposed candidate's competence, experience and merit are evaluated. This shall be attached to the minutes of the General Meeting or of the Board meeting.

Following a proposal by the Appointments and Remuneration Committee, within the scope of its competences to propose and appoint independent or other external Directors, the Board approved the aforementioned "Procedure for the selection of candidates qualifying as independent or other external Directors", which establishes the procedure to be followed in the event of a vacancy on the Board of Directors which the Appointments and Remuneration Committee considers must be filled by an independent Director or "other external Director".

To summarise, this Procedure establishes that the Appointments and Remuneration Committee shall initially determine the academic profile, professional experience and diversity criteria that must be met by the candidate, and to this end it shall take account of the Medium and long-term Planning of the Board, and shall take account of the various profiles of professional training and experience of members of the Board of Directors at any given time.

When the Appointments and Remuneration Committee has received the professional CVs of the candidates from Directors and, where applicable, from the external consultant or consultants, it shall check the mandatory legal requirements and shall exclude any candidates that do not meet the characteristics of the profile determined.

Following an appraisal of the suitability of the candidates in accordance with the criteria determined by the Company and their availability, the Appointments and Remuneration Committee shall submit a selection of alternative proposals for appointment to the Board of Directors, in the order of preference given to candidates, to fill the vacancy on the Board.

The Board of Directors shall submit the proposal to the General Shareholders' Meeting to appoint the candidate it deems most suitable for proper operation of the Board, or shall appoint new Directors via the co-opting system.

The General Shareholders' Meeting shall vote separately on the appointments or re-elections of Directors so that shareholders may exercise their voting preferences separately.

1. E.- Breakdown of Directorships by type.

The Board of Directors shall seek to distribute its members among the different types of Director after the fashion best suited at any given time to the Company's ownership structure and its corporate purpose and the corporate purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and appointments by co-option in such a way that external or non-executive Directors are a majority over executive Directors and that there is a significant presence of independent Directors.

2.- Re-election.

Proposals for the re-election of Directors, in addition to observing the same procedures as for appointments, also take into account the quality of the services provided by the Director and their commitment during the previous term. Directors standing for re-election shall not take part in any discussions or decisions concerning their re-election.

3.- Appraisal.

The Board of Directors shall annually assess the efficiency of its operation and the quality of its work on matters within its remit. The Board shall also assess the operation of its Committees based on the Reports they prepare on the performance of their tasks.

In addition to this assessment, in 2018 the Appointments and Remuneration Committee commissioned Egon Zehnder International S.L. to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its Committees and diversity in the composition and responsibilities of the Board of Directors.

4.- Resignation and removal.

Directors shall vacate office at the end of the term for which they were appointed, unless they are re-elected, or when it is so decided at the General Shareholders' Meeting.

The Board of Directors may not propose the removal of any independent Directors before the expiry of the term for which they were appointed, unless they have just cause on the basis of a proposal from the Appointments and Remuneration Committee. Just cause shall be deemed to exist when the Director occupies new positions, undertakes new obligations preventing him/her from devoting sufficient time to performing Director functions, when he/she breaches the duties inherent in his/her post or when any of the circumstances arise causing a conflict with his/her status as independent.

Directors who stand down from the Board before the end of their term for any reason must explain the reasons therefor in a letter sent to all Board members.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes.
In 2018 the Board of Directors approved its Report of activities assessing its functioning in the terms described in the next section of this heading, and this report did not state the need for any further changes to the internal organisation of the Board of Directors or to the procedures applicable to its activities.

In 2018 the independent expert Egon Zehnder International S.L. was tasked with assessing the Board of Directors and its delegated Committees, as mentioned in section C.1.16 above, a task which, at the date of approval of this report, had not been completed.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas.

Assessment of the Board of Directors.

In accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, each year the Board of Directors assesses the efficiency of its operation and the quality of its work on matters within its remit. The Board also assesses the operation of its Committees based on the reports they prepare on the performance of their tasks.

Every year each of the Board's Committees, with the participation of all their members and under the management and coordination of their respective Chairmen, prepares and approves a Report on the actions undertaken in the financial year, to be furnished to the Board of Directors. Following the same procedure, and also with the participation of all the Directors, the Board of Directors prepares a report on its own actions.

On the basis of these reports, the full Board of Directors assesses the internal organisation and operation of the Board and its Committees; the suitability of the procedures followed for calling meetings; the quality and suitability of the documentation issued to the Directors; the advance notice with which this documentation has been issued; the level of attendance of the Directors at the meetings of the collegiate bodies of which they form part; and the running of their meetings. The Board of Directors also assesses the support and information received from each of the Board's Committees within the scope of their respective powers.

In addition to this assessment, pursuant to Recommendation 36 of the Code of Good Governance of listed companies, in 2018 the Appointments and Remuneration Committee commissioned independent expert Egon Zehnder International S.L. to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its Committees and the diversity in the composition and responsibilities of the Board of Directors. It has not been considered necessary to assess the individual performance and contribution of each Director.

In order to carry out this assessment, all members of the Board of Directors have been issued with a questionnaire relating to the structure and composition of the Board, its operation, the contribution and development of its responsibilities and powers. This also requests their personal assessment of the effectiveness and contribution of the Board of Directors. The members of the Committees must also analyse the same aspects with regards to the Committees of which they form part.

The consultants shall subsequently hold a personal interview with each Director in order to elaborate on the questionnaire responses.

Assessment of the Chairman and the CEO.

Pursuant to the provisions of Article 10.4 of Board of Directors Regulations, this collegiate body annually assesses the performance of the functions of the Chairman of the Board of Directors and the Company's chief executive and of the CEO. If the Chairman of the Board of Directors is considered an executive Director, the process to assess the Chairman shall be undertaken by the Lead Independent Director.

For the purposes of boosting active participation by all Directors in the process to assess the Chairman and the CEO, the Board of Directors has a Procedure for assessment of performance of the functions of the Chairman and of the CEO.

Pursuant to the provisions of this assessment procedure, in January 2019 the Directors were sent a questionnaire assessing performance of the functions of the Chairman and the CEO, in order to compile their individual impressions and opinions.

The aspects which shall be taken into account to assess exercise of the functions of the Chairman of the Board of Directors are dedication to the post of Chairman, leadership capacity on the Board and the Executive Committee, and quality of relations with the other Directors.

The aspects to be taken into account regarding to assessment of exercise of the functions of the CEO shall be dedication to the post, relations with the Chairman, the Board as a whole and Directors on an individual basis, leadership capacities in the ordinary management of Company business, in carrying out the Company's strategy and organisation and management of the administration team and employees of the Company to meet its objectives.

The Appointments and Remuneration Committee shall examine and approve the reports assessing the functions of the Chairman and the CEO, and they shall be submitted to the Board of Directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The only business relationship between the Company and the external consultant, Egon Zehnder International S.L. concerns the assessment of the Board of Directors and its delegated Committees with which it was tasked in 2018.

C.1.19 State the situations in which directors are required to resign.

Under Article 38.2 of the Articles of Association and sections 3 and 4 of Article 22 of the Board of Directors Regulations, the members of the Board of Directors must tender their resignation in the following circumstances:

- in cases of incompatibility or prohibition stipulated by the Articles of Association and Board of Directors' Regulations;
- in the case of proprietary Directors, when the shareholder they represent sells its entire shareholding, or in the appropriate numerical proportion to any reduction in that shareholder's stake;
- in general, when their continuation as Board members could jeopardise the Company's interests.

When the aforementioned circumstances affect an individual representing a legal entity that is a Director, the entity must immediately replace that representative.

In addition to the above, and as stated in section C.1.16, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, may propose the removal of independent Directors when the Director occupies new posts or assumes new obligations preventing him/her from devoting sufficient time to performing Director functions, breaches the duties inherent in his/her post, or when any of the circumstances arise causing a conflict with his/her status as independent.

C.1.20 Are qualified majorities other than those prescribed by law required for any specific decision?:

Yes ☐ No ☒

If so, please describe any differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:

Yes ☐ No ☒

C.1.22 State whether the Articles of Association or the Board Rules establish limit as to the age of directors:

Yes ☒ No ☐

	Age limit
Chairman	0
CEO	0
Directors	0

Remarks.
Article 6.2 of Board of Directors Regulations establishes a maximum age limit for the appointment or re-election of Directors, set at 75 for non-executive Directors and 70 for executive Directors, in accordance with the nature of the functions they carry out.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐ No ☒

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 29.2 of the Articles of Association and Article 11 of the Board of Directors Regulations stipulate that in the event of members of the Board of Directors being unable to attend a meeting in person they may appoint another Director to represent them. No upper limit is specified on the number of proxy appointments a single Director may hold. It is specified that non-executive Directors can only delegate their representation to another non-executive Director.

Proxies must be appointed in writing specifically for each meeting and the appropriate instructions as to how to represent the Director appointing them must be given.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	12
Number of Board meetings without the Chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	2

Remarks.
This figure is the number of meetings up to 31 December 2018 held by the Lead Independent Director with the other directors, without the attendance or representation of any executive director. These meetings were held as part of the Working Group created in 2015, and are made up of the non-executive Directors who form part of the Board of Directors at any given time.

Please specify the number of meetings held by each committee of the Board during the year.

Number of meetings held by the Executive Committee	1
Number of meetings held by the Audit Committee	11
Number of meetings held by the Appointments and Remuneration Committee	12
Number of meetings held by the Markets and Systems Operating Procedures Committee	11

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:

Number of meetings when all directors attended	12
% of attendance over total votes during the year	91.67%
Number of meetings in situ or representations made with specific instructions of all directors	5
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	91.67%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☐ No ☒

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The mechanisms established to prevent the individual and consolidated financial statements from being laid before the General Shareholders' Meeting with a qualified audit report are set out in Articles 8, 19 and 31 of the Board of Directors' Regulations.

Specifically, Article 8 of Board of Directors Regulations states that the Board of Directors shall be responsible for ensuring that the Company's individual and consolidated financial statements and directors' report provide a true and fair view of its assets, the financial position and results, according to legal requirements. Furthermore, each and every Director must have access to all the necessary information before they put their signature to the financial statements.

Article 31 of these Regulations also establishes that the Board of Directors shall adopt the necessary measures to ensure that the half-yearly and quarterly reporting and any other financial reporting that is made available to the securities markets is prepared in accordance with the same principles and practices as are used in the preparation of the annual financial statements, and that it is equally reliable.

Likewise, under Article 19 of Board of Directors Regulations, the Audit Committee is responsible for liaising with the external auditors in order to receive information on any issues connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit legislation and in the technical auditing regulations. The Audit Committee also receives information on a regular basis regarding the audit plan and the results of its execution, and ensures that the auditors' recommendations are taken into consideration by senior management.

In the exercise of its duties, the Audit Committee invites the external auditor to attend its meetings whenever it is deemed appropriate and, in any event, when the agenda includes the audit assessment preceding the issue of the Company's and the Group's financial statements and Directors' report or the release of the Company's half-year report.

The Company's Finance Director also attended meetings of the Audit Committee, convened to address issues within their remit, to enable the Committee to conduct rigorous monitoring of the preparation of regular public disclosures.

In addition, the Article 8.1 of the Board of Directors Regulations establishes that in the event the auditors' report on the financial statements contains reservations or qualifications, the Chairman of the Audit Committee and the auditors themselves shall explain to shareholders and to the markets the content and scope of such reservations and qualifications.

C.1.29 Is the secretary of the Board also a director?:

Yes ☐ No ☒

If the secretary of the Board is not a director, please complete the following table:

Name of the secretary	Representative
Luis María Cazorla Prieto	-

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

1. Mechanisms established by the Company to preserve the independence of external auditors.

In accordance with Article 7.4 of the Board of Directors Regulations, the Board of Directors, acting in full and through its Committees, with the support of the Audit Committee, is responsible for ensuring the external auditor is both independent and professionally acceptable.

Article 19 of the Board of Directors Regulations authorises the Audit Committee to maintain relations with the external auditors in order to receive detailed individual information on any issues that might jeopardise the auditors' independence and, where applicable, to authorise services other than those prohibited in the terms established by regulations, and to monitor compliance with the regulations in force concerning the provision of additional services other than audit services, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence.

In this regard, each year the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company, in addition to detailed individual information on any other type of service provided by the auditors and the fees received by the auditors or persons or entities related to them, and shall issue a report each year, prior to the auditor's report, stating an opinion on whether the independence of the auditors has been compromised. The report must contain a motivated assessment of provision of each and every additional service, considered individually and together, other than statutory legal services, and in relation to the regime of independence or to the regulations governing the auditing of accounts.

At its meetings on 27 February and 25 July 2018, the Audit Committee received from the external auditors, PricewaterhouseCoopers Auditores, S.L., written confirmation of the independence with which they had acted in the audit of the yearly and half-yearly financial statements, respectively.

Moreover, at its meeting on 30 October 2018 the Audit Committee authorised the external auditor to provide services entailing independent limited verification of information related to the Company's corporate social responsibility, having ascertained that the provision of such services did not jeopardise its independence.

2. Mechanisms established by the Company to preserve the independence of financial analysts.

The Investor Relations Department, a division of the Finance Department, provides institutional investors and financial analysts with all possible information on the Company's performance, periodic results and strategy. The management of information by the department of Investor Relations is carried out with the utmost respect for the principles of transparency and non-discrimination, and always in the strictest compliance with regulations relating to the securities markets and the policy for communicating with shareholders, analysts, institutional investors and proxy advisors.

3. Mechanisms established by the Company to preserve the independence of investment banks and rating agencies.

In 2018 the Company did not hire the services of investment banks or rating agencies.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☒

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ No ☒

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes ☒ No ☐

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousands euros)	44	0	44
Amount invoiced for non-audit services / Amount for audit work (%)	14.47%	0.00%	7.72%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations:

Yes ☐ No ☒

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by current audit firm/Number of years the company or group has been audited (%)	35.29%	35.29%

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒ No ☐

Explanation of procedure.
Board of Directors meetings are generally called at least six days in advance of the date on which they are scheduled to be held. The call notice includes the agenda of the Board of Directors meeting and the relevant documentation and information concerning the items on the agenda.

In accordance with Articles 13.2.c) and 16.2 of the Board of Directors Regulations, the Chairman of the Board of Directors, assisted by the Secretary, ensures that the Directors receive, with sufficient notice and in the appropriate format, the information necessary to discuss the matters included in the agenda of the corresponding meetings.

Furthermore, under Article 24 of the Board of Directors Regulations, Directors shall have the powers to obtain information on any aspect of the Company and its group, and shall be granted access to any documents, registers, past records or any other information they may require.

All requests for information shall be addressed to the Chairman and shall be dealt with by the Secretary of the Board of Directors who shall directly provide the information required or put the Director in contact with the appropriate person within the Company, while ensuring that the necessary measures are taken to guarantee that the Directors' right to information is met to their full satisfaction.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒ No ☐

Explain the rules.
Article 28 of the Board of Directors' Regulations stipulates that, amongst their duties to inform, Directors shall disclose any fact or situation which may affect the nature or terms under which their appointment as Directors was made, or which could materially influence their activity as Directors. More specifically, this article establishes that they must disclose any legal, administrative or other types of claims affecting them the importance of which could seriously affect the Company's image.

In addition, Articles 38.2 of the Articles of Association and 20.4 of the Board of Directors Regulations stipulate that Directors must resign when their continuation in office could jeopardise the Company's interests.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐ No ☒

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Company has not formalised significant agreements with the characteristics described.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or Golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	5

Type of beneficiary.
The Chairman, in connection with his executive duties, the CEO and three (3) senior management members.

Description of agreement.

1. Executive Directors.

There are no such clauses which include benefits for executive Directors, except for the Chairman and the CEO. With regard to the Chairman, qualified as an Executive Director, at BME's Extraordinary General Shareholders' Meeting held on 5 June 2006 the following resolution was adopted:

"The General Shareholders' Meeting agrees that, in the event of the Chairman of the Board of Directors being removed from his post, he shall be entitled to receive an amount equivalent to three times his annual fixed compensation established by the Shareholders' Meeting at the time of this event. Payment of this amount implies a non-competition duty binding the Chairman for three years with respect to companies other than the BME Group pursuing identical or similar corporate purposes or activities. In the event the Chairman fails to comply with this obligation, he shall be obliged to return the amount received. The Chairman shall not be paid the amount mentioned above if he voluntarily leaves the post, fails to fulfil his duties or any of the cases needed for Bolsas y Mercados Españoles to be able to take corporate action against him for liability concur." (...)".

The terms of this resolution by the Extraordinary General Shareholders' Meeting have been listed in the provision of services contract between BME and Mr. Antonio J. Zoido Martínez, dated 29 June 2007, subsequent to a report by the Appointments and Remuneration Committee and approval by the Board of Directors.

The Directors' Remuneration Policy contains, among other issues, the main conditions of the *"Contract of Director with executive functions"* signed by BME and Mr. Javier Hernani Burzako whereby, in the event of departure, revocation of his powers or authorisation, or termination of the contract at his behest on the basis of non-compliance with the obligations undertaken by the Company, the CEO shall be entitled: *"To receive the greater of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Workers' Statute at that time for any dismissal considered unfair.*

If termination results from a failure to fulfil his duties as CEO of the Company duly declared by a court and/or any of the cases needed for BME to be able to take corporate action against him for liability concur, neither resumption of the employment relationship nor payment of the aforementioned amount shall occur."

This condition was set out in the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, which was approved unanimously by the Board of Directors, with no involvement by Mr. Hernani Burzako, on 27 April 2017, at the behest of the Appointments and Remuneration Committee.

2. Senior management.

With respect to senior management, one (1) member of senior management has signed a senior management contract entitling the senior executive to receive compensation in the event of dismissal equivalent to twenty-two (22) months of the gross annual salary, unless employment law stipulates higher compensation. In addition, two (2) member of senior management are under ordinary employment contracts and are entitled to severance compensation equivalent to forty-five (45) days' salary per year of service.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses		

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		NO

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE.

Name	Post	Category
Ana Isabel Fernández Álvarez	Chairman	Independent
Juan March Juan	Member	Proprietary
Isabel Martín Castellá	Member	Independent

% of proprietary directors	33.33%
% of independent directors	66.67%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit Committee is regulated by Articles 35 of the Articles of Association and 19 of the Board of Directors Regulations.

Organisation and operation

- The Audit Committee shall comprise a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed and removed by the Board of Directors. All the Committee members must be non-executive Directors, and a majority must qualify as independent Director.

  The Audit Committee currently comprises three (3) members pursuant to the agreement adopted by the Board of Directors at its meeting on 27 July 2006.

- The Chairman of the Audit Committee shall be appointed by the Board of Directors from among its independent Directors and must be replaced every four (4) years. The Chairman may be re-elected one year after completing his term.

  In the event of the absence or temporary unavailability of the Chairman, his place shall be taken by the independent Director Committee member designated for that purpose by the Board of Directors and, in his absence, by the eldest independent Director Committee member and, if the independent members are the same age, by the member chosen by lot.

- The Secretary of the Committee shall be appointed by the Board of Directors from among its members and shall draw up the minutes of the resolutions adopted. The Board may also appoint the Board Secretary or any of the Deputy Secretaries as Secretary to the Committee even if they are not Committee members, as well as a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but may not vote.

- The Audit Committee shall meet whenever it is convened by the Chairman or a meeting is requested by at least two (2) of its members, and at the request of the Board of Directors.
- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting by proxy. When there is a tie in voting, the Chairman, or the person standing in for him, shall have the casting vote.
- In order to perform its tasks, the Committee may seek the assistance and collaboration of independent third-party experts and the attendance at its meetings of Company and Group company executives.
- The Audit Committee must report to the Board of Directors on its activities in the course of each year, and the Secretary shall send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences

At 31 December 2018, the Audit Committee had been assigned the duties established in Article 529 quaterdecies of the Corporate Enterprises Act, as well as the following additional competences:

- To supervise the Group's regulatory compliance function, under the authority of the Audit Committee.
- Supervision of the effectiveness of risk control systems includes supervision of tax risks.
- To be informed of the fiscal policies applied by the Company.
- To analyse information on structural and corporate changes the Company plans to carry out and report on the economic conditions thereof and their accounting impact.
- To ensure compliance with the Internal Code of Conduct by members of the management body of BME and of companies in its Group and members of BME's senior management, following the amendment to the Code which came into force on 1 January 2018.

Action taken in 2018

The Audit Committee held eleven (11) meetings in 2018, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed

Name of directors with experience	Ana Isabel Fernández Álvarez
	Isabel Martín Castellá
Date of appointment of the chairperson	26/04/2018

APPOINTMENTS AND REMUNERATION COMMITTEE.

Name	Post	Category
David María Jiménez-Blanco Carrillo de Albornoz	Chairman	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
Juan Carlos Ureta Domingo	Member	Independent
Santos Martínez-Conde y Guitierrez-Barquín	Member	Proprietary

% of proprietary directors	25.00%
% of independent directors	75.00%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Remuneration Committee is regulated by Article 36 of the Articles of Association and Article 20 of Board of Directors Regulations.

Organisation and operation

- The Appointments and Remuneration Committee shall comprise at least three (3) and at most five (5) Directors, appointed by the Board of Directors from among its non-executive members, of which at least two (2) must be independent Directors.

The members of this Committee shall remain in office for as long as they continue to be Company Directors, unless the Board of Directors resolves to remove them. Currently the Appointments and Remuneration Committee comprises four (4) members pursuant to the resolution adopted by the Board of Directors at its meeting on 27 February 2014.

- The Chairman shall be appointed by the Board of Directors from among its independent Directors.

- The Board of Directors shall also appoint a Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its Deputy Secretaries, as well as by a member of the Company's legal advisory services, in which cases the Secretary may speak at meetings but not vote.

- The Committee shall meet as often as is necessary in the Chairman's opinion for the performance of its functions, at the request of the Board of Directors and whenever a meeting is requested by at least two (2) members.

- There shall be quorum at Committee meetings when a majority of Committee members are present or represented by proxy, and resolutions shall be adopted by an absolute majority of the members who are present or represented. In the event of a tie, the Chairman shall have the casting vote.

- The Committee shall report to the Board on the performance of its functions and tasks in the course of each year and the Committee Secretary shall send a copy of the minutes of all Appointments and Remuneration Committee meetings to all Board members.

Competences

The Appointments and Remuneration Committee has been assigned the duties established in Article 529 quindecies of the Corporate Enterprises Act, as well as the following additional competences:

- To report on compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment, re-election and removal of members of the Board of Directors proposed to sit on any of the Board Committees, as well as, where applicable, to hold any posts thereon.
- To report on compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment and removal of the Deputy Secretaries of the Board.
- To verify compliance with the Company's remuneration policy.
- To verify information on remuneration received by Company Directors and senior executives contained in corporate documents.
- To ensure the independence of the external advice provided for the Committee.
- To supervise, at the request of the Board of Directors, compliance with the rules of corporate governance.

Action taken in 2018

Throughout 2018, the Appointments and Remuneration Committee held twelve (12) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE.

Name	Post	Category
Joan Hortalá i Arau	Chairman	Executive
Juan March Juan	Member	Proprietary
Juan Carlos Ureta Domingo	Member	Independent
% of executive directors		33.33%
% of proprietary directors		33.33%
% of independent directors		33.33%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Markets and Systems Operating Procedures Committee is regulated by Article 37 of the Articles of Association and Article 21 of Board of Directors Regulations, respectively, as well as by the Regulations for the Markets and Systems Operating Procedures Committee. The articles of the Board's Regulations and the Regulations of the Markets and Systems Operating Procedures Committee were amended following the introduction of the new Internal Code of Conduct on 1 January 2018.

Organisation and operation

- The Markets and Systems Operating Procedures Committee shall consist of a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed, re-elected or removed by the Board of DirectorsConsejo de Administración.

By virtue of the agreement adopted by the Board of Directors at its meeting on 29 November 2007, the number of members of the Markets and Systems Operating Procedures Committee was established as four (4).

The Markets and Systems Operating Procedures Committee currently has three (3) members, with one (1) vacancy.

- The Board of Directors shall appoint the Chairman of the Markets and Systems Operating Procedures Committee from among its members.

- The Board of Directors shall appoint a Committee Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its Deputy Secretaries, as well as by a member of the Company's legal advisory services. In these cases, the Secretary may speak at meetings but not vote.

- The Markets and Systems Operating Procedures Committee shall meet at least once a month, and whenever it is convened by the Chairman, and there shall be quorum when a majority of Committee members are present or represented by proxy.

- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting. When there is a tie in voting, the Chairperson shall have the casting vote.

- The Markets and Systems Operating Procedures Committee must report to the Board of Directors on its activities, and to this end the Secretary must send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences

At 31 December 2018 the Markets and Systems Operating Procedures Committee had the following responsibilities, as directed in the Committee's own Regulations:

- Analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.

- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by group companies.

- To interpret the Internal Code of Conduct of the Company and its Group so that it may approve the instructions or implementing regulations and report on any amendment to said Code that are submitted to the Company's Board of Directors for approval.

- Any other general or specific tasks commissioned by the Board.

The Markets and Systems Operating Procedures Committee shall report to the Board of Directors on the performance of its tasks, send the Board of Directors copy of the minutes of its meetings, and draft any reports or proposals on them that may be requested by the Board of Directors.

Action taken in 2018

Throughout 2018, the Markets and Systems Operating Procedures Committee held eleven (11) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

EXECUTIVE COMMITTEE.

Name	Position	Category
Antonio J. Zoido Martínez	Chairman	Executive
Ana Isabel Fernández Álvarez	Member	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
David María Jiménez-Blanco Carrillo de Albornoz	Member	Independent
Santos Martínez-Conde y Guitierrez-Barquín	Member	Proprietary

% of executive directors	20.00%
% of proprietary directors	20.00%
% of independent directors	60.00%
% of external directors	0.00%

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Executive Committee is regulated by Article 34 of the Articles of Association and Article 18 of the Board of Directors Regulations.

Organisation and operation

- The Executive Committee shall consist of at least three (3) and not more than seven (7) Directors designated by the Board of Directors. The Company shall endeavour to ensure that the size and composition of the Executive Committee comply with efficiency criteria and the Board of Directors' basic guidelines on composition.

At its meeting after the Ordinary General Shareholders' Meeting of 30 April 2014, the Board of Directors established the number of members of the Executive Committee as five (5).

- The Chairman and Secretary of the Executive Board shall be the same as for the Board of Directors with the substitution regime stated for the Board of Directors, whereby the Chairman shall be substituted by one of the Vice-Chairmen in descending order if the office is vacant or the Chairman is absent, unable to attend or falls sick. Likewise, the Secretary shall be substituted by the Deputy Secretary of the Board of Directors and in the event of there being various Deputies, the longest standing one or the eldest shall be chosen.

- Except when higher voting majorities are required by law or under the Articles of Association, resolutions shall be adopted by an absolute majority of the Board members who are either present or represented at the meeting. In the event of a tie, the Chairman shall have the casting vote.

- The Executive Committee shall meet at the behest of its Chairman, provided this has been requested by at least two (2) of its members.

- At each meeting of the Board of Directors, the Executive Committee shall report on the issues discussed and resolutions adopted at the meetings it has held since the previous Board meeting, so that the Secretary can send a copy of the minutes of the Committee's meetings to its members.

Competences

The Executive Committee shall have the following competences:

a) Continuous monitoring and supervision of the day-to-day management of the Company, also ensuring that there is adequate coordination between the Group companies for their mutual benefit and that of the Company.

b) Analysing and proposing to the Board of Directors the guidelines that are to define the Company's strategy, and supervising their implementation.

c) Supervising the strategy for communications and relations with investors and shareholders.

d) Supervising implementation of the Company's corporate social responsibility policy and monitoring the strategy and practices of corporate social responsibility

e) Assessing matters related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks, and coordinating the process of reporting non-financial information.

f) Discussing and reporting to the Board of Directors on all issues relating to the following:

- The Company's individual and consolidated annual budget.
- Significant tangible or financial investments and their economic rationale.
- Cooperation agreements with other companies the size or nature of which make them significant for the Company.
- Financial operations of particular economic importance for the Company.
- Assessment of the Company's achievement of its objectives.

g) Adopting resolutions relating to the acquisition or disposal of the Company's treasury shares, if and as authorised at the General Shareholders' Meeting and the general policy regarding treasury shares established by the Board of Directors.

In addition to the responsibilities described above, all the Board's powers have been delegated to the Executive Committee, except for those which cannot be delegated by law, in accordance with the resolution adopted by the Board of Directors at its meeting on 27 July 2006.

Notwithstanding the foregoing, at a meeting on 20 July 2016 the Executive Committee agreed to focus its meetings on the analysis of strategic issues or any other issues it sees fit to discuss.

Action taken in 2018

In the course of 2018 the Executive Committee held one (1) meeting, and took the action stipulated in the report approved by the Board of Directors on its competences in 2018, which shall be provided in the section of information for shareholders and investors on the Company's corporate website, www.bolsasymercados.es.

Remarks.
Luis María Cazorla Prieto is Secretary (non Member) of all the Committees.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	FY 2018		FY 2017		FY 2016		FY 2015	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	2	66.67%	1	33.33%	1	33.33%	1	33.33%
Appointments and Remuneration Committee		0.00%		0.00%		0.00%		0.00%
Market and Systems Operating Procedures Committee		0.00%		0.00%		0.00%		0.00%
Executive Committee	1	20.00%	1	20.00%	1	20.00%	1	25.00%

Remarks.

At 31 December 2018, 2017 and 2016 the Executive Committee had five (5) members, whereas at 31 December 2015 it had four (4) members.

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The operation of the Board Committees is governed by the Board of Directors Regulations.

The Markets and Systems Operating Procedures Committee also has its own Regulations on organisation and functioning, Articles 7 and 10 of which were amended following a resolution by the Board of Directors on 31 January 2018 to adapt the competences of the Markets and Systems Operating Procedures Committee to the Internal Code of Conduct in terms of its interpretation and monitoring, following its entry into force on 1 January 2018.

As mentioned above, in accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, the Committees prepare a report on their responsibilities, which is sent to the Board of Directors so that their activities can be assessed.

The Regulations of the Board of Directors and of the Markets and Systems Operating Procedures Committee, and the activity reports of the Board's Committees from each financial year, may be found in the "Shareholders and Investors" section of the corporate website, www.bolsasymercados.es.

D. Related-party and intragroup transactions

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Procedure to notify approval of related-party transactions.

Article 7.4 d) of the Board of Directors Regulations establishes that the Board of Directors, acting in full and through its Committees, shall approve the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interest, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto. The transactions that simultaneously meet the following three characteristics are excluded from the aforementioned approval:

- they are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- they are performed at prices or rates established on a general basis by the person supplying the goods or services; and
- the amount does not exceed 1% of the Company's annual revenue

Section I) of Article 19.2 of the Board of Directors Regulations also states that the Audit Committee shall report on the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interests, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto.

Moreover, given the market/systems activities carried on by the Group companies, Article 29 of the Board of Directors Regulations establishes that trades, transactions or actions undertaken by Directors and significant shareholders and their related parties in their activities on the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

1.- Conflicts of interest between the Company and/or its group and its Directors.

The general duties of diligences and loyalty, which include the duty to avoid conflicts of interest are regulated by Articles 25, 26 and 27 of the Board of Directors Regulations, under the same terms as established in the current legislation.

Directors must abstain from participating in the deliberations and voting on resolutions and decisions in which the Director or a related person has a direct or indirect conflict of interests. This obligation to abstain shall not include resolutions or decisions that affect their status as Director, such as their appointment or removal for positions on the Board of Directors or other similar decisions.

Proprietary Directors must not participate in votes on matters in which the shareholders who proposed their appointment and the Company have a direct or indirect conflict of interests. For these purposes, Directors shall notify the other Directors and, where applicable, the Board of Directors of any situation that may entail a direct or indirect conflict of interests between them or any persons related thereto and the Company.

Directors of the Company must also notify the Audit Committee before accepting any Directorship or management position in another company or entity.

Moreover, transactions, operations or actions undertaken by Directors and/or their related parties in their activities in the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties.

The above is understood as notwithstanding the fact that members of the Company's Board of Directors are also affected by the obligations established in this respect by the Internal Code of Conduct, described below.

2.- Conflicts of interest between the Company and its Group and employees.

The Internal Code of Conduct applies to all employees of BME and of its Group companies and to the rest of persons who provide services or engage in a professional relationship with BME or its Group companies, known as "the persons concerned". Rules 9, 10 and 11 of Title IV of the Internal Code of Conduct address regulation of conflicts of interest.

The parties concerned must act with all due impartiality, and must not put their own interests before those of BME and the companies in its Group and of shareholders, and must endeavour to avoid conflicts of interest with BME shareholders, members of or participants in the markets or systems governed or managed by companies belonging to the BME Group, or with the issuers of the securities affected listed on those markets or systems or which have applied for listing.

Where applicable, the persons concerned must inform the relevant control body of any conflicts of interest that may affect them or their related parties.

The persons concerned must update any information on their potential conflicts of interest, for which purpose they must notify any cessation or alteration of any situation of conflict or the emergence of any new situation. Notice must be given within five (5) days of the person concerned becoming aware that a conflict of interest has arisen and in any event before the adoption of any decision or action affected by the conflict.

If the persons concerned have any doubts as to the existence of a conflict of interest, they must consult the relevant control body before adopting any decision or course of action that might be affected by the potential conflict.

If the persons concerned are affected by a conflict of interest, they must refrain from intervening in or influencing discussions and decisions concerning the persons or entities to which the direct interest in conflict refers, and must notify whoever is responsible for decision-making accordingly.

Notwithstanding the foregoing, the individuals affected may participate in the discussion and approval of any rules, instructions or decisions that shall apply generally to all investors, market members or companies with securities admitted to trading.

3.- Conflicts of interest between the company and its significant shareholders.

Article 21.2.b) of the Board of Directors Regulations and Article 7.1b) of the Markets and Systems Operating Procedures Committee Regulations stipulate that this Committee must oversee the procedures established so that normal market conditions and the principle of equal treatment are applied to the transactions, operations and actions which the Company, its Directors or shareholders with significant and stable shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.

In this regard, Article 29 of the Board of Directors Regulations stipulates that transactions, operations or actions undertaken by significant shareholders and their related parties on the markets and systems managed by Group companies shall require prior authorisation by the entire Board, unless they form part of the ordinary course of business of the parties involved and are carried out in normal conditions or in recurring market conditions, without prejudice to compliance with any regulations applicable to transactions with related parties.

D.7 Is there more than one company in the group listed in Spain?:

Yes ☐ No ☒

Identify the other companies that are listed in Spain and their relationship to the company:

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group.

Identify the measures taken to resolve possible conflicts of interest between the listed subsidiary and the other group companies:

E. Risk management and control systems

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The inherent risks of the activity carried out by BME Group companies are managed with criteria which allow the Company to pursue its interests and maximise its value, profitability and efficiency along with its other legitimate interests, both public and private, in a way whereby it is able to grow and operate in the markets and systems where Group companies operate and abide by EU law, the Securities Market Act and its implementing provisions.

BME is directly or indirectly the sole shareholder of companies operating in securities registration, clearing and settlement systems, central counterparties, official secondary markets in Spain and multilateral trading systems, and, as such, is responsible for the unity of action, decision and strategic coordination of these companies.

The implementation of the risk control and management policy, defined by the Board of Directors and administered by the Management Committee, falls to the Continuity and Risk Committee in its capacity as the body responsible for monitoring and analysing the risks arising from the various activities carried on by Group companies within a framework of coordinated management through Business Units and Corporate Areas. The Continuity and Risk Committee also draws up the corporate Risk Map, which is maintained by the parties in charge of managing the risks identified, and by the Chief Risk Officer.

The Continuity and Risk Committee has constructed an Integrated Risk Management System (IRMS) following the methodological framework specified in the COSO II report. According to the nature of each specific risk, the following lines of action are carried on in parallel:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, technology, human resources and non-financial) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Maintenance of the corporate Risk Map requires that each risk officer regularly update the information on each identified global risk needed for management and control; new events and controls are identified and action plans are rearranged as necessary.

The Continuity and Risk Committee regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Regulatory Compliance, IT Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans to the Executive Committee.

The BME Group's **risk control system** applicable in 2018 was drawn up in accordance with international standards. Its functioning is governed by the following aspects:

1. BME Group companies that manage securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems are governed by European Union law and the Securities Market Act and its implementing provisions.

2. In accordance with this legal framework, BME's financial statements and those of most of its Group companies are verified by an external auditor. Likewise, as required by the laws and regulations governing all markets, multilateral trading systems, central counterparties, and registration, clearing and settlement systems, the external auditors must review the internal control systems and assess the appropriateness thereof.

3. A Continuity and Risk Committee, which reports to the Management Committee, comprising senior managers from the various corporate areas in charge of monitoring and analysing the risks arising from the various activities carried on by the companies in the BME Group in the framework of management coordinated through Business Units and Corporate Areas, as well as logical security and physical safety risks. Meetings of this Committee are attended by: BME's Chief Risk Officer, the Risk Officers identified in each Business Unit and Corporate Area, and the Heads of Regulatory Compliance, Internal Audit and Logical Security, who may speak but cannot vote.

4. The Company has an Internal Audit Department, as an independent body of the Company's executive line, reporting to the Audit Committee which operates throughout the BME Group and which acts in keeping with the Framework for Professional Practice of the Institute of Internal Auditors.

5. The Company also has a Regulatory Compliance Department that operates independently from the Company's executive officers and bodies, reporting to the Audit Committee. Its role is to ensure compliance with the laws and regulations applicable to Group activities and to support the Audit Committee in supervising related regulatory compliance risk.

6. In order to establish common control systems there are regulations governing the different business units and corporate areas which regulate basic matters including:

   a. Financial and accounting matters. The financial reporting process is subject to an internal control system (ICFR) which has been reviewed and documented in accordance with BME's IRMS methodology. This enables it to comply with the new regulatory requirements aimed at improving the transparency of listed companies' reports to the market. These include, inter alia:

      i. A Procedures Manual for subprocesses containing a description of the operations, identification of the main risks and controls in place to mitigate them, valuation rules and accounting recognition criteria for the activities and transactions that could have a material impact on financial reporting.

      ii. Corporate Accounting Plan.

      iii. Annual calendar for financial and accounting information.

   b. Information to markets:

      i. Policies on the collection, treatment and disclosure of information to the markets.

      ii. Procedure for drawing up and sending periodical information to Supervisory Bodies.

   c. IT Security. This area constantly strives to meet the most demanding standards and the sector's best practices. To this end it has:

      i. An Information Security Management System ("SGSI") in accordance with ISO/IEC 27001, which includes policies, procedures and organisational structures to ensure that the BME Group's assets are efficiently and suitably protected.

      ii. A Comprehensive Security Policy applicable to each and every company belonging to the BME Group, in which security applies to protection against any type of risk that could jeopardise the interests of BME, as well as the people, processes, information, facilities etc. under their responsibility as set out in the Logical Security Policy, the Business Continuity Policy and the Physical Safety Policy.

      iii. A Policy on Handling Sensitive Information in order to establish a criterion for classifying and handling documents according to the level of confidentiality in order to reduce the risk of unauthorised access to sensitive information belonging to the BME Group.

d. Project Management Office. The Project Management Office defines and maintains the standards for managing the projects of the BME Group, following best practices in project management and the strategy defined for the organisation. This Office is responsible for centralising the information and status of all Group projects and regularly reporting to the project managers, the heads of the different departments and the management of BME regarding the status of the projects and the progress, risks or changes identified in the different monitoring tasks.

7. A Security Committee, reporting to the Finance Director, in charge of defining and applying the BME Group's Security Policy on information security, through the Head of Logical Security, who is responsible for implementing, operating and maintaining the SGSI in accordance with the guidelines issued by the Security Committee, and on IT systems, through the Head of Physical Safety, who is in charge of safeguarding the physical infrastructures.

8. The Company is a member of CECON ("Consorcio Español de Continuidad de Negocio", the Spanish business continuity consortium), together with the leading players in the financial services industry (regulatory bodies and commercial entities). It was created to contribute to financial stability by improving awareness concerning business continuity and disseminating the best practices applicable. CECON initiatives include the creation of the 'CONTINUAM' Business Continuity Institute. The Company, through BME Inntech, is a founding partner of the institute, together with AENOR and leading players in the financial sector. The mission of CONTINUAM is to create, disseminate and promote a holistic business continuity culture at all levels of society, with the help of leaders from the various sectors.

9. The Company has an Internal Code of Conduct which applies to all members of the Boards of Directors and employees of all Group companies, and establishes their duties in connection with confidentiality and integrity, implemented in relation to insider information with the approval of the Board of Directors of the "Policy for the processing and transfer of insider information", and also allows Group companies to approve special rules of conduct. In these cases, the Internal Code of Conduct shall apply in the absence of such special rules.

10. On 30 September 2010 BME embraced the Code of Best Tax Practices, approved by the Large Businesses Forum on 20 July 2010 and, following up the recommendations of the Code, approved policies and courses of action in relation to tax, which were updated by the Board of Directors at a meeting on 30 July 2015, after the Company's tax strategy had been defined. In 2016 the other Group companies embraced the aforementioned Code of Best Tax Practices, and approved their respective tax policies.

11. At the behest of the Audit Committee, the Board of Directors established a Criminal Risk Prevention System for the BME Group which, among other issues, introduces a Code of Conduct with the main ethical principles and standards of conduct governing the actions of directors, legal representatives, management and employees of BME Group companies, and an Internal Whistleblowing Channel, used by BME employees and management to report any facts which may lead to indications of breaches by other employees or managers of Group policies or procedures or the Code of Conduct, or other actions that could constitute indications of a possible criminal offence.

12. Liquidity management is homogeneous throughout the BME Group, in accordance with the criteria established by the Company's Board of Directors, following a report by the Audit Committee. However, within the scope of these criteria, Group companies may prioritise investment in assets offering higher liquidity as opposed to returns in order to comply with the specific regulations applicable. In this respect, the criteria for investing the Group's liquidity set out the criteria for investing the minimum own funds of BME Clearing, S.A.U. to cover the types defined in Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012, on OTC derivatives, central counterparties and trade repositories, and its implementing provisions.

This specifies the criteria pursuant to which the Company should purchase assets, the term of such operations and authorisation levels. The main objective is to prioritise security and minimise liquidity risk, and this rules out the possibility of carrying out speculative operations.

13. The Company also has a Deficiency Communication Procedure in place regarding deficiencies in risk control and management systems which has been approved by the Audit Committee, whereby personnel from the Company and the Group's companies may anonymously report any irregularities in the aforementioned systems.

In addition to the BME Group's risk control system, which applies to all Group companies, BME Clearing, S.A.U., the central counterparty, has an additional governance system and mechanisms for internal control and managing specific risks in accordance with the provisions of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, and its implementing provisions.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Board of Directors

The Board of Directors is BME's most senior governing and administrative body, in charge of stimulating, directing and supervising matters that are of particular importance to the Company.

The general functions of the Board of Directors, which are set out in Article 7 of the Board of Directors Regulations, include defining the policy for the control and management of risks, including tax risks, and supervising the internal information management and control systems, including those that are tax-related, and internal audit systems.

The Board of Directors is assisted in its functions by the Audit Committee.

Audit Committee

Pursuant to Article 19 of the Board of Directors Regulations, the Audit Committee shall have the following responsibilities, among others:

- To supervise the effectiveness of the Company's internal control and risk control systems, including tax risks, which shall involve the review, at least once a year, of the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported. The Audit Committee is also charged with discussions with the auditors or, as the case may be, experts appointed for that purpose, regarding any significant weaknesses detected in the auditing process, and also with the submission of recommendations or proposals to the Board of Directors.

- To supervise the Company's internal audit services. To this end, the Committee shall monitor the independence and efficiency of internal audit functions, receiving periodical information regarding its activities and ensuring that senior management takes into consideration the conclusions and recommendations of its reports.

The Company has a communication procedure in place regarding deficiencies in the risk control and management systems which are directly supervised by the Audit Committee.

The Audit Committee has set up a Crime Prevention Committee, which is responsible for the prevention of criminal risks, and the implementation and development of and compliance with the BME Group's criminal risk prevention system.

Markets and Systems Operating Procedures Committee.

Pursuant to Article 21 of the Board of Directors Regulations, and Article 7 of the Regulations of the Markets and Systems Operating Procedures Committee, the Committee has the following functions, among others:

- To analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.

- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by group companies.

- To interpret the Internal Code of Conduct.

Management Committee

The Management Committee, composed of the Chairman, the CEO and the heads of Business Units and Corporate Areas, is the body which carries out the strategic plan approved by the Board of Directors, examines proposals concerning new activities and business opportunities, and carries through the risk control and management policy defined by the Board.

Continuity and Risk Committee

The Company has a Continuity and Risk Committee, which replaced the Risk Committee on 27 February 2018 in order to undertake competences in relation to the BME Group's business continuity and modify its composition.

In relation to risks, the Continuity and Risk Committee works with the Management Committee on execution of the BME Group's risk control and management policy defined by the Board of Directors, pursuant to the provisions of Article 25 of the Articles of Association and Article 7 of Board of Directors Regulations, and administered by the Management Committee, and specifically as follows:

a) implementing and following the risk assessment model adopted by the Management Committee in pursuance of the risk management policy defined by the Board of Directors.

b) drawing up the corporate Risk Map, subsequently to be maintained by the various officers responsible for managing identified risks and by the Chief Risk Officer.

c) receiving information from the Chief Risk Officer on incidents detected in the course of the activities carried out by BME Group companies, and any risks identified that are considered relevant.

d) reporting to the Management Committee on all matters relevant to the BME Group's risk management policy.

e) submitting proposals to the Management Committee for action to improve risk monitoring and control procedures.

Regardless of its relationship with the Management Committee, the Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of the action taken in implementing the risk management and control policy defined by the Board. To this end, the Chairman of the Continuity and Risk Committee may also be called to attend meetings of the Audit Committee.

Security Committee.

The Security Committee is in charge of establishing the BME Group's Security Policy, covering both logical and physical security.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

BME is present throughout the entire value chain in the management of several financial markets, exposing it to a variety of risks:

Operational risks: The risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems, or from external events. Operational risks are classified in terms of their applicability to the BME Group overall, or exclusive identification for one of the business units or corporate areas.

Operational risks affecting all BME business units and corporate areas include:

- Risk of fraud: This is the risk of action taken to avoid a regulation, which may cause damage to a third party or to the Group itself
- IT risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this is considered one of the main risks for the BME group.
- Risk of administrative errors: These arise from erroneous calculations, improper execution, faulty manual operations, or because databases have not been updated. They also include any events arising from errors during billing or monitoring of collections.

Market risk: These are the current or potential risks posed by adverse movements in interest rates or changes in prices or share prices, or variations in trading volumes.

Liquidity and solvency risk: Defined as the risk that a Group company is unable to meet its payment commitments

Credit or counterparty risk: The risk arising in the event a debtor defaults on its payment commitments, or its credit rating is impaired. This includes, amongst other scenarios, risk of non-payment of bills or charges.

Industry risks: Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, legal and tax environment.

Key business risks: Risks arising from the specific activities carried on by BME Group companies. The following are the main business risks:

- Risks of inadequate functioning of markets: Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.
- Risks in relation to the Securities Settlement System (Iberclear):
  - Risk of errors in settlement processes: These risks may relate to delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited
  - Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.
- Counterparty risk associated with BME Clearing: In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk
- Risks in relation to the dissemination of information: These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems.

Other non-financial risks: Environmental risk - possibility of damage being caused to the environment due to the Company's activity - and the risk of corruption and bribery - possibility of non-compliance with ethical standards and regulations normally leading to administrative infringements and even crimes. These risks have been assessed as largely insignificant at the BME Group

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

As mentioned in section E.1, BME, directly or indirectly, is ultimately the sole shareholder of the companies managing securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems.

BME's Group companies are members of the European Association of CCP Clearing Houses (EACH), the European Central Securities Depositories Association (ECSDA) and the Federation of European Securities Exchanges (FESE). These bodies share a common goal of obtaining greater efficiency and integration in the capital markets based on the best practice recommendations for settlement systems proposed by the Bank for International Settlements (BIS) and the International Organisation of Securities Commissions (IOSCO).

BME Group companies operate specific governance systems and mechanisms for internal control, risk management and ongoing supervision which enable them to design response plans in alignment with specified risk tolerance levels, having regard to applicable laws and regulations and to the recommendations issued by the organisations referred to above (see section E.6).

The Continuity and Risk Committee is responsible for monitoring and analysing all risks arising from the activities performed by Group companies. These tasks are conducted as part of coordinated management through the business units and corporate areas.

The Committee is also responsible for implementing the risk management and control policy laid down by the Board of Directors and overseen by the Management Committee. In particular, implementation and monitoring of the risk assessment model adopted by the Management Committee. It must also take account of the level of risk tolerance.

The Group has a model based on the most advanced standards (Basel, BIS) which calculates, for each of the Group's main activities and sources of counterparty risk, estimated contingent losses in extreme but realistic worst-case scenarios in the event of adverse changes to exposures to various risks. The expected loss model is an internal probabilistic model calibrated at the 99% confidence level for reasonable timeframes that provide a good fit with each activity segment. Some Group companies, however, use a higher confidence interval in compliance with the regulations specifically applicable to their activities. The model is also supplemented by stress tests (extreme worst-case scenarios) to gain an insight into how risk exposures might behave in extreme and improbable situations.

E.5 State which risks, including tax compliance risks, have materialised during the year:

Of the risks covered by the system, as mentioned in E.3 above, IT risk is particularly noteworthy as part of operational risks.

The systems supporting BME Group companies' activities undergo continuous review and adaptation in response to regulatory changes and the implementation of IT recommendations and best practices as they emerge. Given their connections to public and private entities, the systems are subject to functional modifications and improvements that require changes and new versions.

The incidents related to this risk that have occurred have been managed by prioritising recovery of service, with sufficient internal and external reporting.

Resolving such incidents has entailed the implementation of improvements in the control systems and reporting to the Markets and Systems Operating Procedures Committee, the Continuity and Risk Committee and, where appropriate, to the CNMV.

None of the other main risks materialised to any significant extent (see section E.6).

Finally, there was no significant impact on the company's results or its capacity to generate value, and response systems performed satisfactorily.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

IT risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this operational risk is considered critical for the BME Group.

This risk is managed and controlled by the BME Technology Corporate Area. The Area has IT engineers specialising in each of the systems supporting BME's activities.

The systems supporting activities engaged in by BME companies are duplicated in order to eliminate single failure points. Critical infrastructure and equipment are duplicated in the alternative back-up centre at a different location to the main DPC. For most of the critical systems, all data stored by the central system are backed up simultaneously in real time at the alternative back-up centres. In trading applications, replication is based on an asynchronous parallel trade processing solution in the contingent liability systems located in the alternative back-up centre. Back-up copies of all processes are kept. As with the primary DPC, the alternative centre is equipped with all the technical means required to resume the Company's activity in the event of a disruption of the primary centre.

The communications network providing access points for participants provides dual connections to the primary DPC and the back-up centre, with diversification of suppliers. Procedures and agreements are in place with the main communications suppliers to ensure lines from the primary DPC to the back-up centre can be switched transparently for the entities.

The Production and Systems Departments are responsible for monitoring any error messages, alerts or flags in any application, communication system, network, database or system. An internal server monitoring system is in place which reviews a series of parameters by default. The system can be configured so that updates and alert messages are triggered in certain circumstances involving usage of disk space, memory and processing power.

The Production and Systems Departments have documented incident response procedures in place. The various system performances are monitored daily. Data obtained from this monitoring are automatically processed to prepare statistics and reports that are available to authorised users on the intranet. All procedures are documented and available on the Group intranet.

Risks of inadequate functioning of markets: Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.

BME has a number of controls to supervise trading processes, including, among others, the following: automatic contrasts and validations of information, automatic checking of securities and prices (including multiple verifications and checks on securities) and monitoring of the proper functioning of systems and applications. The market quality department also has its own controls to contrast with the supervision department, and it sets up matches between the various sources of contrast information.

Risks in relation to the Securities Settlement System (Iberclear):

- *Risk of errors in settlement processes: These risks may relate to errors or delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited.*

  The procedure for reception and inspection of information received by Iberclear has a control list (checklist) and a double-checking system by both the legal department and the primary department. Time schedules are also established for the reception of information which, on a regular basis and with sufficient notice, is requested from the companies concerned to ensure it is received in time.

  In relation to the possibility of errors arising in calculation of prices, the company has an automatic process which conducts a weekly examination of the prices applied to each of the services.

- *Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.*

  Iberclear has a number of automatic reconciliation processes which are monitored by system users, and dynamically reconcile data between the two platforms, detecting any possible discrepancies in sufficient time to ensure the processes operate properly.

Counterparty risk associated with BME Clearing: In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk.

As a central counterparty, BME Clearing manages its business risks independently in accordance with BME's IRMS.

Therefore, under the EMIR rules applicable, it has a risk management framework comprising risk management policies, procedures, and systems that enable it to identify, measure and control any risks to which it is or may be exposed. In addition, a consultative Risk Committee advises the Company's Board on all measures that might affect the central counterparty's risk management.

The central counterparty's risk management framework encompasses, inter alia: margin requirements and how margins are to be enforced; topping up the default fund in the event of defaults; review of the models employed, stress tests, back testing, control of liquidity risk and the procedure to be followed in the event of default.

All risks are first identified by the Risk Committee, which periodically reviews risk management issues related with day-to-day operations, specifically the level of compliance with risk management criteria, models and parameters.

The risk management system used by BME Clearing, in accordance with the laws and regulations referred to above, focuses on monitoring and measuring exposures to participants by measuring credit, market and concentration risks in real time, using applications for managing the issues involved and sending alerts to participants.

Risks in relation to the dissemination of information: These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems

BME has a system to monitor activity in the different systems, supervising data transmission and reception processes, monitoring proper access of users, number of messages and latencies of each product. Alarms are also in place to detect any potential errors, in almost real-time mode.

Industry risks: Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, legal and tax environment.

Group companies manage securities registration, clearing and settlement systems, central counterparties and multilateral trading systems. These activities are regulated by legislation passed by the European Parliament and Council, and by the Spanish Securities Market Act and its implementing provisions.

BME operates a Regulatory Compliance Department to check that Group companies' processes are compliant with applicable laws and regulations and to help monitor regulatory changes that might affect the Group's activities. At a meeting on 27 July 2017, the Audit Committee approved the Regulatory Compliance function's Statute, which was amended following a resolution by the Audit Committee on 25 July 2018, in order to define the mission and objectives of the Regulatory Compliance function and establish its area of jurisdiction and scope, its general principles, its organisation, as well as the powers and work methodology of the Regulatory Compliance Department.

Furthermore, in accordance with specifically applicable regulations, BME Clearing has a Regulatory Compliance Verification Unit tasked with supporting BME Clearing and its Board of Directors in meeting its objectives by implementing regulatory compliance control procedures which help provide services that are responsible and compliant with EMIR rules and Delegated Regulation (EU) No 153/2013.

As already mentioned above in section E1 of this report, as BME undertook the Code of Best Tax Practices, at a meeting on 27 February 2018 the Audit Committee took due note of the tax policies applied by the Company in 2017, which were set out by the Finance Director before the financial statements were drawn up. Subsequently, at a meeting on 17 July 2018 the Audit Committee was informed by the Finance Director of the tax policies applied by the Company for the filing of the 2017 Income Tax return.

The Board, through the Audit Committee, is responsible for ensuring that the BME Group's internal control and risk management systems, including tax risk, are efficient, as set out in Article 19 of Board of Directors Regulations, which, among other matters, stipulates that the Audit Committee shall be authorised to "*supervise the efficiency of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process.*"

The Board of Directors determined the Company's tax strategy, in accordance with the provisions of Article 529 ter of the Corporate Enterprises Act, and subsequently, at a meeting on 30 July 2015, it updated the tax policies applicable to BME, which set out the principles of tax strategy and had been approved since it embraced the Code of Best Tax Practices.

The Audit Committee is supported in its role of supervising the IRMS by the BME Group's Internal Audit Department. Thus, the regulations for the BME Group Internal Audit Service state that, amongst its functions, the Internal Audit department shall: "*... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Continuity and Risk Committee, on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems*".

F. Internal risk management and control systems related to the process of publishing financial information (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

As stipulated in Article 25 of the Articles of Association and Article 7 of the Board of Directors Regulations, the Board of Directors is the Company's most senior governing and administrative body, and shall undertake, among other responsibilities, supervision of the transparency and veracity of Company information in its relations with shareholders and with the markets in general, identification of the principal risks affecting the Company, including tax risks, and supervision of internal control systems. The BME Group has defined an Integrated Risk Management System (IRMS), into which it incorporated the Internal Control over Financial Reporting (ICFR) system, after this had been approved by the Continuity and Risk Committee.

As stipulated in Article 7 of the Board of Directors' Regulations, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team. In line with this delegation of management to senior management, the BME Group's finance department is responsible for the design, introduction and functioning of the ICFR.

The Board of Directors, through the Audit Committee, is the body responsible for ensuring the effectiveness of the Company's internal control and the BME Group's risk management systems, including tax risks, which includes supervising the IRMS, including the ICFR, as per Article 19.2.e) of the Board of Directors' Regulations. This article, among other issues, stipulates the Audit Committee shall be authorised to "supervise the effectiveness of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process."

The Internal Audit Department of the BME Group plays a key role in carrying out the functions delegated to it by the Audit Committee with regard to monitoring IRMS and, particularly, ICFR. Thus, the regulations for the BME Group Internal Audit Service state that, among its functions, the Internal Audit department shall: "... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Risk Committee (now the Continuity and Risk Committee), on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems with respect to the achievement of goals related to:

- *Effectiveness and efficiency of resources and operations.*
- *Reliability of financial and operational information; and*
- *Compliance with applicable laws and other regulations".*

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review corporate structure; (ii) clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures sexist for proper communication throughout the entity.**

The BME Group is a group of companies under coordinated management divided into six Business Units (Equities, Derivatives, Clearing, Fixed Income, Settlement and Registration, Information & Added-Value Services) and seven Corporate Areas (Human Resources, Technology, Finance, Corporate Communication, International Relations, General Secretariat and Legal Consultancy).

By virtue of the provisions of Article 7.4 of Board of Directors Regulations, the Board of Directors is responsible for approving the financial information that must periodically be disclosed because it is a listed company, and the process of drawing up and presenting this information is supervised by the Audit Committee, as stipulated in Article 19.2 of the aforementioned Regulations.

As noted above, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team, focusing its activity on the general responsibility of stimulating, directing and supervising matters of particular significance for the Company, undertaking, among other duties, to stimulate and supervise senior management, establishing the basis of the corporate organisation in order to ensure maximum efficiency.

To this end the BME Group has various procedure manuals which clearly establish the allocation of tasks and levels of responsibility and authority in the preparation of financial information. These manuals have been distributed to all employees involved in preparing relevant financial information, including all companies of the Group. With this framework, the BME Group endeavours to guarantee, amongst other aspects, that the established organisational structure offers a consistent ICFR model.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

The Company has a Code of Conduct in place for the BME Group and an Internal Code of Conduct, approved by the Board.

The BME Group Code of Conduct was approved by the Board of Directors on 29 November 2012 as part of the system for the prevention of criminal risks, and comprises the ethical principles and conduct with which all BME Group directors, legal representatives, managers and employees must comply. The Code of Conduct lays down the general guidelines for conduct of all those affected by the Code and describes the guidelines for conduct in specific situations, including the fulfilment of accounting and tax obligations and compliance with internal controls in this regard.

In addition to the BME Group Code of Conduct, the Internal Code of Conduct, the latest version of which was approved by the Board of Directors on 29 November 2017 and which came into force on 1 January 2018, defines the principles and framework of action which must be observed by the employees of the Company and its Group with respect to the securities market. Employees have permanent access to the Code of Conduct and the Internal Code of Conduct in internal regulations and on the Group's intranet in the Online Human Resources section under "Code of Conduct", where they are requested to acknowledge that they have read them.

The main points covered in the Code are as follows:

- Scope
- Interpretative and supervisory bodies.
- Rules of conduct.
- Conflicts of interest.
- Conclusions of transactions.
- Inside information.
- Treasury shares.
- Breach.

The BME Group also has a *Declaration of Ethical Values for the preparation of financial information*, approved by the current Continuity and Risk Committee at a meeting on 13 February 2012, and applicable to all BME Group employees.

The declaration of ethical values establishes the rules of conduct to which all employees must adhere and the ethical principles related to the preparation of financial information, on the following principles:

"(...)

- *Independence: employees shall adopt a permanent attitude of objectivity and independence in the performance of their various activities within the Group, not only observing all applicable guidelines but also preventing situations in which, due to a possible conflict of interests or any other circumstance, impartiality and objectivity could be affected.*
- *Completeness: employees shall demonstrate honesty and rigour when carrying out tasks concerning the preparation of financial information and shall not be influenced by external factors which may affect their professional judgment, and shall ensure that the criterion is maintained at all times and that the information is treated impartially and comprehensively.*
- *Responsibility: employees shall use their technical and professional skills when handling and preparing financial information. They shall be responsible for receiving the necessary training in order to carry out their duties to the best of their ability.*
- *Likewise, they shall be subject to applicable legislation regarding financial reporting and shall respect the procedures established internally. They shall record transactions accurately and maintain the same criteria for all files and records required.*
- *Professionalism and dedication: employees shall comply with the professional standards, laws and the rules and regulations applicable to each case and avoid any situation which might jeopardise the prestige of the Group or its professionals.*
- *Likewise, they shall endeavour to do not only what is lawful, but also what is right and proper.*
- *Confidentiality: employees are bound by professional secrecy and strict confidentiality when handling financial information to which they are privy in the course of their work.*

(...)"

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

Article 19.2.c) of Board of Directors Regulations outlines, inter alia, the responsibilities delegated to the Audit Committee concerning the establishment and supervision of: *"(...) the instruments to enable Company personnel to anonymously report any irregularities in the internal control and risk management systems. (...)"*

In accordance with the abovementioned article, at a meeting on 25 January 2007, with prior approval by the Audit Committee, the Board approved the procedure for notifying deficiencies in the internal control and risk management systems, which is available to all employees on the Group's intranet.

This procedure for notifying deficiencies is a way for all BME Group staff to report possible irregularities detected in the internal control and risk management systems to the Audit Committee, through the Internal Audit Department, anonymously and in writing, via any mail system, in strict confidence at all times.

For practical purposes, for this procedure the Internal Audit Department shall be responsible for (i) keeping a record of all notifications received concerning relevant issues; (ii) analysing all notifications and, if applicable, carrying out the necessary enquiries, verifications and analysis to check the irregularity or deficiency reported; and (iii) informing the Audit Committee of its actions.

In connection with the BME Group's Criminal Risk Prevention System, a Whistleblowing Channel was also set up whereby BME employees and management may report any events that may indicate non-compliances by other employees or management with the policies or procedures operated by the Group, with the Code of Conduct or any other actions which could indicate that an offence has been committed.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

The BME Group has a training policy defined by the Human Resources Department aimed at providing a continuous training plan for all staff involved in preparing and reviewing financial information, as well as assessing ICFR.

During 2018, as part of the annual training plan for all BME Group employees, various courses were offered. These courses were internal and external, onsite (offered at the company's various work centres) and online (based on an e-learning/ blended learning methodology for courses which could be offered in this format). The following areas were covered:

- User applications: Training in the software facilitator for task automation.
- Development of skills: Training aimed at developing competences and skills in the workplace.
- Markets and financial assets: Training in the BME Group's markets, assets and business units.
- IT: Training in the development and perfection of new technologies.
- Specific annual refresher course in accounting regulations for the Finance Department.

Training targets all BME Group employees. In 2018, Group employees received a total of 7,897 hours of training. 244 hours of training were provided for the Financial Corporate Area, and 66 for the Internal Audit Department.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The Continuity and Risk Committee has established an integrated risk management system (IRMS) based on the methodological framework specified in the COSO II Report. According to the nature of each specific risk, the following lines of action are carried out in parallel:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, tax, technology, human resources and non-financial risks) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

To do this, it regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Regulatory Compliance, IT Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans. These plans are reviewed by BME's control functions.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Within the risk identification process, including tax risks, and formalisation of the ICFR, in order to guarantee the reliability of the relevant financial information based on a criterion of defined materiality, and taking into account all the financial information reported and disclosed, the following global objectives of the BME Group have been considered:

a) Existence and occurrence: Trades and other events presented in the financial information exist in reality and have been recorded at the right time.

b) Completeness: The information includes all trades and other events in which the Group is the affected party.

c) Valuation: Trades and other events are recorded and valued in accordance with applicable standards.

d) Presentation, disclosure, and comparability: Trades and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.

e) Rights and obligations: Financial information shows, at the corresponding date, rights and obligations through the assets and liabilities, in accordance with applicable standards.

With regard to the preparation and maintenance of the corporate risk map, which includes those relating to ICFR:

- Information concerning each of the global risks identified (necessary for the purposes of management and control), a periodic update is carried out by each risk officer (concerning ICFR, the Finance Department):
- New events are identified; and
- Action plans are rearranged as necessary.

The Internal Audit Department evaluates the controls in place and quantifies residual risk.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

As part of the process of identifying and assessing risks in financial reporting, the Group's Finance Department is responsible for identifying and/or modifying the scope of consolidation and assesses the following:

a) the significant influence, if applicable, the Company, individually or in conjunction with the rest of the BME Group companies, has over the company concerned;

b) the percentage of the effective stake held by the BME Group in the company concerned;

c) the activity and corporate purpose; and

d) the existence of a "decision-making unit" in accordance with applicable legislation.

Therefore, in accordance with the provisions of Article 7.3.g) of its Regulations, following a report by the Audit Committee pursuant to Article 19.2 j) of these Regulations, with regard to the management guidelines and establishing the basis for the corporate organisation of senior management, the Board is responsible for: *"Approving the creation or acquisition of stakes in exclusively special-purpose vehicles or entities registered in countries or territories considered to be tax havens, and any other trades or transactions of a comparable nature the complexity of which could impair the transparency of the group".*

No complex corporate structures or special-purpose vehicles were identified in 2018.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The risk identification process takes into consideration both business and support processes, and applications in the preparation of financial information. For the purpose the BME Group has established a ***Structure of corporate risks*** which includes the following types of risks:

- Operating risk (fraud, IT and administrative errors).
- Market risk.
- Liquidity and solvency risk.
- Credit or counterparty risk.
- Industry risks (regulatory changes, the Group's reputation, sector competition, relations with stakeholders, the political, economic and legal environment).
- Business risks (specific to each Group company).
- Other non-financial risks: environmental, corruption and bribery.

The BME Group prioritises each of the identified risks, weighting them according to the probability of occurrence (low, moderate, significant and very high) and the impact on the Group should a detected risk turn into a real event (low, moderate, significant and critical).

- **The governing body within the company that supervises the process.**

The Board is responsible for *"determining the risk management and control policy, including tax risks, and overseeing the internal information and control systems, including the process of preparing and submitting regulated financial information"*. To carry out this duty, the Board of Directors has the support of the Audit Committee, to which it entrusts, among others, the task of *"supervising the efficiency of the Company's internal control and risk control, including any tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process".*

Ultimately it is the Internal Audit Department which, in accordance with the provisions of the *Statute of the BME Group Internal Audit Service*, the most recent version of which was amended by the Audit Committee on 27 July 2017, has the following functions, among others: *"(...) co-operate with the BME Audit Committee, and in companies listed in Appendix II* –BME Clearing, S.A.U. and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear)-, *with their respective Boards, in supervision of the effectiveness of the risk management processes and the control mechanisms applicable, by exercising an independent function in line with regulations and professional standards of quality, which help good Corporate Governance and reduce to acceptable levels the possible impact of the risks on the achievement of the Company's objectives. (...)".*

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The preparation of the financial information which is disclosed to the stock market and its subsequent review is entrusted to a suitably defined human and technical team which ensures that this information is precise, true and comprehensive according to current legislation. The procedures for preparing and reviewing financial information have been defined and documented by the Finance Department. Other departments also assist in ensuring that the necessary level of detail is obtained.

Therefore, the procedures for accounting closure and the preparation of the financial statements occasionally rely on key judgments, estimates and assumptions made by senior management to quantify assets, liabilities, revenue, expenses and commitments, which are described in detail in the corresponding financial statements. These estimates are made according to the best available information at the date on which the financial statements are prepared, using generally accepted methods and techniques and data, and observable and contrasted assumptions. In the current year, the following main issues were addressed:

- the assessment of potential impairment losses on certain assets;
- assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits;
- the useful life of property, plant and equipment and of intangible assets;
- assessment of possible goodwill impairment losses;
- the fair value of certain financial instruments;
- the calculation of provisions;
- the assumptions used to determine variable remuneration schemes based on BME shares; and
- the recognition of deferred tax assets.

In order to guarantee the reliability of this financial information, the Finance Department carries out monthly review and closing procedures, such as analysing the adherence to budgets, preparing business performance indicators and analysing the ratios defined by the BME Group.

In 2018, through the Audit Committee, according to the provisions of Article 7.4.b) of the Board of Directors Regulations, the functions of the Board included "*approving the financial information that, due to it being a listed company, must periodically be made public*", the preparation and presentation of which are supervised by the Audit Committee, as per Article 19.2 of said Regulations.

The Finance Department is responsible for determining the relevant financial information, based on quantitative criteria of materiality, and qualitative criteria, taking into consideration all the financial information reported and published in the financial markets. Later, the processes linked to this information are analysed, distinguishing between business processes, support processes and the applications used in preparing the financial information. To this end, the BME Group has descriptive documentation of the activity flow charts relating to the processes, sub-processes and activities linked to this financial information, as well as the main risks and controls associated with these. These are reviewed and updated periodically.

The Internal Audit Department shall *"(...) Revise the reliability and completeness of the financial and operating information, as well as of the means used to identify, evaluate, classify and disseminate this information (...)"*, as stipulated in the Statute of the BME Group's Internal Audit Service.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The IT systems which support the processes on which the financial information is based are subject to internal control policies and procedures to guarantee the completeness of the preparation and publication of the financial information.

Specifically, policies have been established in relation to:

Secure access to information: the process systems which contain the BME Group's financial information can only be accessed by univocal user IDs which are password-protected in each of the environments. Likewise, permission to access the different environments, applications or operating systems is granted according to types of user and their authorisations. The process of managing users in these systems is based on established procedures using formally established channels.

Operating and business continuity: the BME Group has a comprehensive IT Contingency Plan in place (capable of dealing with the most complex situations) to guarantee the continuity of its IT services. There is a back-up centre where copies are automatically generated to guarantee the availability of all information in the event of an emergency. The Company carries out tests to guarantee the correct functioning of its contingency plan.

Segregation of duties: the development and operation of the financial IT systems is carried out by a large group of professionals with clearly differentiated and segregated functions. The staff of the business unit in question are responsible for defining the requirements and final validation tests before any system is rolled out. The rest of the duties fall to different persons within the IT area:

- The project leaders carry out functional analyses and manage the development projects, developmental and operational management and integration tests.
- The development teams are in charge of technological design, construction and tests, adhering at all times to the development methodologies defined by the Group. Access to information to resolve incidences must be formally requested and authorised internally.

The IT systems contain user profiles based on the roles of each of the people that require access to them. Staff competent in every application or environment manage these requests and permissions and verify that incompatible permission is not assigned.

Change management: the BME Group has established mechanisms and policies to ensure that possible failures in the service caused by updates or changes to the IT systems are avoided. There are change and monitoring committees which ensure that the established management procedures for changes are complied with. These include security measures aimed at mitigating risks. All changes to the systems are carried out by controlled staff, and the changes identified and upgrades indexed to production environments

Incident management: the policies and procedures in this matter are in place to resolve incidents in the shortest time possible. There are incident communication channels and registration tools in place. Efficient incident management is achieved by correctly prioritising and following up incidents according to importance, reducing communication times and, finally, determining problems and identifying suggestions for improvement.

Incident monitoring and improvement plans are reported periodically to the pertinent committees, and are aimed at monitoring the service provided.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

BME has a ***Procedure for managing outsourced activities*** which stipulates that the need to outsource activities must be based on the existence of sufficient reasons or legal provisions which justify this need in order for the BME Group to attain its goals or meet legal arrangements. To proceed with the subcontracting/outsourcing, a minimum of two and a maximum of three suppliers shall be considered, whenever possible.

In all cases, the outsourcing of activities and subcontracting to third parties shall be carried out through service contracts between the supplier and the relevant BME Group company, clearly indicating the service to be provided and the means to be used to provide these services. According to the nature or an assessment of the risks identified, the department responsible for subcontracting/outsourcing shall notify suppliers that the service provision contract shall include clauses stating that the staff at the contracted company must comply with BME Group regulations.

Before services can be subcontracted/outsourced, the department responsible for the subcontracting/outsourcing must send the offer and the conclusions of the preliminary risk study to the Legal Department.

The list of BME Group suppliers is revised and, if applicable, updated each year. Likewise, controls implemented by suppliers are monitored.

In order to appraise, calculate or value the services commissioned from independent experts when these may materially affect the financial statements, the Group has a system in place to assess the competence, ability, credentials and independence of independent experts, prior to their selection. When monitoring this appraisal, BME verifies the reasonableness of the assumptions used by the expert, as well as the completeness of the data and the methods used.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Responsibility for defining, interpreting and settling doubts or disputes regarding the accounting criteria and policies of the BME Group, among other functions, falls to the Finance Department.

To this end, the BME Group has a Procedures manual which describes the accounting treatment of the different types of transactions which may materially affect financial information. This Procedures manual is updated periodically to include any legislative amendments as well as new trade types which may require new criteria and accounting policies to be established. Once updated, this procedures manual is made available to all BME Group employees.

Application of accounting policies is established on the basis of the legislative framework applicable to the Company and BME Group companies, set out in the Code of Commerce and other mercantile legislation, in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and its sector adaptations, in CNMV Circular 9/2008 of 10 December (amended by Circular 6/2011 of 12 December and Circular 5/2016 of 27 July), and in the International Financial Reporting Standards adopted by the European Union, in relation to the BME Group's consolidated financial statements.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR. to the business units through which the company operates.

The BME Group has mechanisms for the capture and preparation of financial information based on tools of renowned prestige. All BME Group companies use the same tools, guaranteeing completeness, uniformity and correct functioning, as well as the correct preparation of the required financial information and the applicable disclosures.

These tools are segregated into different interconnected layers and are equipped with applications into which data on the operations which take place each day via the different channels (internet, in-house services etc.) are entered. This information is then processed and prepared before being treated by specific back-office systems and segregated according to market and transaction category. This provides reliable and exact information on accounting and the generation of results. The results and calculation of data once the operations have been carried out on the market are automatically transferred to management, reporting and financial consolidation tools which have quality controls to ensure they are reconciled.

F.5 Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The internal audit function is carried out by the Internal Audit Department, which is a staff body within BME. It has no executive responsibilities in managing the Group's ordinary businesses and reports directly to the Audit Committee, a BME Board committee.

Article 19.2.c) of Board of Directors Regulations assigns responsibility to the Audit Committee to *"supervise the Company's internal audit services, which shall depend on the Audit Committee, reporting to the Board of Directors. To this end, the Committee shall monitor the independence and efficiency of the internal audit functions, proposing the selection, appointment, re-election and departure of the head of the internal audit service, as well as the budget for the service, receiving periodical information in regard to its activities and verifying that senior management takes into consideration the conclusions and recommendations of its reports. It shall also establish and supervise the arrangements whereby Company personnel may anonymously report any irregularities in the internal control and risk management systems."*

The Internal Audit Department compiles, at least, the following reports for the Audit Committee:

- Internal Audit reports: consequences of execution of the department's activities plan. Also, when requested to do so by the Audit Committee and managers of BME Group companies.

- Review of Internal Control over Financial Reporting: assessment of the effective functioning of the Internal Control over Financial Reporting System.

- Annual report on the activities of the Internal Audit service: including information on execution of the review activities carried out and incidents relating to the risks identified in the department's processes.

Also, in accordance with BME's IRMS Methodology, the Continuity and Risk Committee receives information regarding any risk events, assessment of these events and action plans relating to ICFR that may have materialised.

In turn, the Head of the Internal Audit Department, who attends Committee meetings at which he may speak but not vote, proposes recommendations and suggests the most relevant points of reflection on the IRMS, based on the information provided.

In 2018, the Internal Audit Department undertook annual assessment of ICFR and followed up the extent of response to the recommendations given after the previous year's review. With this assessment, the Internal Audit Department validates the effectiveness of the controls in place, through the performance of various audit tests. These tests basically consist of testing compliance in processes and/or risks classified as having a critical impact, and self-assessment questionnaires or specific tests of the existence thereof and their application for the controls in place for risks that have not been deemed to have a critical impact, or controls of a general nature.

Lastly, in 2018 the Internal Audit Department presented the BME Internal Audit Department's 2019 Activities Plan to the Audit Committee. The Plan focuses on ongoing improvement to the IRMS through suggestions and proposals by the Continuity and Risk Committee and, mainly, on reviewing those business processes for which ICFR assessment is mandatory under specifically applicable regulations, to assess its functioning and validate its effectiveness.

F.5.3 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

Article 19 of Board of Directors Regulations stipulates, inter alia, the responsibilities delegated to the Audit Committee in relation to: *"supervising the efficiency of the Company's internal control and risk control system, including tax risks. To this end, at least once a year it shall supervise the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process. To this end it may submit recommendations or proposals to the Board."*

The Audit Committee shall also *"continue to liaise with the external auditors in order to receive information on any issues that might jeopardise their independence for examination by the Committee and any others connected with the auditing procedure, and, where applicable, authorise services other than those prohibited in the terms stipulated in regulations, and any other communications envisaged in audit legislation and in the technical auditing regulations. The Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management. The Committee shall also monitor compliance with the regulations in force concerning the provision of services other than auditing, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence. In this regard, each year the external auditors shall issue written confirmation of their independence vis-à-vis the Company, as well as detailed individual information on any other type of service provided and the related fees received by the external auditors or persons or entities related thereto."*

Pursuant to the provisions of its Internal Audit Statute, the Internal Audit Department *"shall present to the management levels audited the scope of its conclusions and recommendations for analysis and comment."* It must also *"ascertain whether the recommendations in the report have been implemented in the areas audited, and notify the results to the Audit Committee".*

In this regard, the Audit Committee met on 11 occasions in 2018. The external auditors were called to meetings of the Audit Committee at which the financial information of both BME and its Group companies was reviewed.

F.6 Other relevant information

F.7 External auditor's report

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Pursuant to the recommendation in the *Guidelines for Action on the report by the auditor concerning the Internal Control over Financial Reporting on listed companies*, as published on the CNMV's website, the Company submitted the contents of information on the system for Internal Control over Financial Reporting for review by the auditors. This report shall be included as an Appendix to this Annual Corporate Governance Report.

G. Extent of Compliance with Corporate Governance Recommendations

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance:

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. **That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market:**

Complies [X] Explanation [ ]

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

   a. **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**

   b. **The mechanisms in place to resolve any conflicts of interest that may arise:**

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

   a. **Changes that have occurred since the last General Shareholders' Meeting.**

   b. **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead:**

Complies [X] Complies partially [ ] Explanation [ ]

4. **That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it:

Complies [X] Complies partially [ ] Explanation [ ]

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law:

Complies ☒ Complies partially ☐ Explanation ☐

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions.

d) Report on the corporate social responsibility policy:

Complies ☒ Complies partially ☐ Explanation ☐

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings:

Complies ☒ Explanation ☐

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations:

Complies ☒ Complies partially ☐ Explanation ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy. And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion:

Complies ☒ Complies partially ☐ Explanation ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes de additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for and against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment:

Complies ☒ Complies partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members:

Complies ☒ Explanation ☐

14. That the Board of Directors approves selection policy for directors that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election proposals are based upon a prior analysis of the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report:

Complies ☒ Complies partially ☐ Explanation ☐

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors:

Complies ☒ Complies partially ☐ Explanation ☐

16. That the percentage of proprietary directors divided by the number of nonexecutive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them:

Complies ☐ Explanation ☒

As a result of the changes to the composition of the Board of Directors following the 2018 Ordinary General Shareholders' Meeting and the consequent increase in the independence of the Board of Directors, the Company considers that independent Directors carry sufficient weight on this body and properly represent the interests of non-controlling shareholders.

At 31 December 2018 the following characteristics of the Board of Directors indicate relevant representation of the interests of the body's non-controlling shareholders:

- The considerable number of independent Directors on the Board of Directors, accounting for 54.55% of the total number of Directors, thereby attaining the degree of independence which Recommendation 17 of the Good Governance Code of Listed Companies considers appropriate for large-cap companies, and 75% of external Directors;
- The non-existence on the Board of Directors of any major shareholders with disproportionate representation, since a single significant shareholder of the Company was represented on the Board of Directors by two (2) members as the holder of the largest percentage of the Company's equity, 12.06%, and it cannot be understood that this representation grants a position of control or a majority on the Board;
- The large number of independent Directors on the Executive Committee, accounting for 60% of the total members of this body; and,
- The majority of independent Directors on the Appointments and Remuneration Committee, accounting for 75% of the total number of members, pursuant to Recommendation 47 of the Code of Good Governance of listed companies.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalization or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors:

Complies [X] Explanation [ ]

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own:

Complies [X] Complies partially [ ] Explanation [ ]

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured:

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16:

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report:

Complies ☒ Complies partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit:

Complies ☒ Complies partially ☐ Explanation ☐

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda:

Complies ☒ Complies partially ☐ Explanation ☐

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions:

Complies ☒ Complies partially ☐ Explanation ☐

28. Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta:

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense:

Complies ☒ Complies partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require:

Complies ☒ Complies partially ☐ Explanation ☐

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes:

Complies [X] Complies partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group:

Complies [X] Complies partially [ ] Explanation [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate:

Complies [X] Complies partially [ ] Explanation [ ]

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman:

Complies [ ] Complies partially [X] Explanation [ ] Not applicable [ ]

The Lead Independent Director has been assigned the powers referred to in the recommendation, except those relating to maintaining relationships with investors and shareholders. These powers of the Lead Independent Director have been enhanced by the Company through the establishment of a Working Group of non-executive Directors, which has approved its own rules of organisation and operation.

The Company considers that the eminently independent nature of the Lead Independent Director, required for the role as *leader* of the Company's external Directors, and consequent lack of involvement in the effective management of the Company, justifies the role of maintaining contact with investors and shareholders not being assigned to this Director.

In this regard, the Company considers that its structure for communicating with investors and shareholders, with an Investor Relations Department staffed by people with a deep, detailed and well-founded knowledge of the economic and financial position of the Company, the Company's projects, its day-to-day activity etc., is adequate and allows the Company to be aware of the opinions and concerns of shareholders and investors regarding any aspect of the running of the Company, including any aspects concerning corporate governance.

Thus, the Investor Relations Department, which reports to the CEO, is entrusted with, among other duties, reporting to management the concerns, queries and suggestions of the shareholders and investors with whom it maintains permanent contact. Should these concerns affect matters of corporate governance, the Investor Relations Department can rely on the

General Secretary and the Secretary of the Board of Directors, and is assigned the task of ensuring that the decisions of the Board of Directors take into account the recommendations in matters of corporate governance and, where appropriate, actively participates in meetings with investors and shareholders to explain the Company's corporate governance structure.

All of the above is irrespective of whether, when considered appropriate, the Lead Independent Director maintains contact with investors and shareholders in matters which are deemed beneficial for the Company.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company:

Complies ☒ Explanation ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Director's work.

b) The workings and composition of its committees.

c) Diversity of membership and competences of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report:

Complies ☐ Complies partially ☒ Explanation ☐

The Board of Directors conducts an annual assessment of the efficient functioning and quality of the work carried out by the Board and its Committees, and also of the performances of the Chairman of the Board of Directors and the Company's CEO, as laid down in Article 10 of its Regulations.

In 2018, moreover, an external consultant was tasked with the assessment of the Board of Directors and its delegated Committees, and the assessment had not been completed at the date of this report.

The only part of the recommendation which the Company does not follow is that relating to the Board's assessment, once a year and individually, of the performance and contribution of each Director, on the grounds that, during the period for which they form part of the Board, individual assessments of the Directors are carried out with sufficient frequency, as detailed below:

Thus, it should be taken into account that the extensive professional experience offered by the members of the Board of Directors, analysed in detail by the Appointments and Remuneration Committee prior to the proposal for their appointment to the Board of Directors in the case of independent or "other external" Directors, or to the issuance of the corresponding report for the other types of Director, is a sufficient initial guarantee of the quality of the services that the Director shall provide.

Following this initial assessment, and as established in Article 22.2 of the Board of Directors Regulations, the quality of the services provided and the dedication of each of the Directors is assessed by the Appointments and Remuneration Committee and by the Board of Directors, in the corresponding re-election or ratification proposals, and also in any cases where a proposal is submitted for their appointment to a position on the Board or one of its Committees.

In this regard, the proposal of the Appointments and Remuneration Committee in the case of independent Directors and Directors qualified as "other external" or, in all other cases, the report individually assesses the services provided by the Directors during their previous term and their dedication both on the Board and, where appropriate, on the Committees of which they form part.

Following the proposal or report by the Appointments and Remuneration Committee, the Board of Directors, in the justifying report that must be approved in accordance with that established in Article 529 decies, section 5 of the Corporate Enterprises Act, and Article 22.1 of Board of Directors Regulations, also assesses the performance of the duties of the Director whose re-election is proposed to the General Shareholders' Meeting.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors:

Complies [X] Complies partially [ ] Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee:

Complies [ ] Complies partially [X] Explanation [ ]

Article 19.2.c) of Board of Directors Regulations makes the Audit Committee responsible for *"supervising the Company's internal audit services, which shall report to the Audit Committee"*, and lists the main supervisory tasks in relation to internal audit.

The purpose, authority and responsibility of the Internal Audit function in the Company are defined in the "Regulations for the BME Group Internal Audit", which states that the Internal

Audit Department is a permanent internal body within the organisation, without executive responsibilities in managing the group's ordinary businesses and reporting directly to the Audit Committee.

BME considers that what is established in the aforementioned regulation with regard to the authority of the Internal Audit Department is a sufficient guarantee of the independence with which it can act, and that the fact that this Department reports functionally to the Chairman of the Audit Committee does not grant it a higher degree of autonomy to carry out its duties.

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function, propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department, approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the task accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence:

Complies [X] Complies partially [ ] Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management:

Complies [X] Complies partially [ ] Explanation [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risk in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks:

Complies [X] Complies partially [ ] Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors:

Complies [ ] Complies partially [ ] Explanation [X]

BME considers that the operation of the control and risk management systems and the preparation of the risk strategy are matters that must correspond to the Company's senior management and to the people who form part of its workforce and are experts in the management of the risks to which its activity is subject.

BME considers that the Audit Committee must monitor the effectiveness of the defined internal control and risk control systems, implemented and processed by the Company's executive team, and in the scope of this supervision shall be aware of any weaknesses that may be detected by the internal and external auditors in these systems and, in these cases, shall discuss and propose the adoption of the measures deemed appropriate to solve them.

Moreover, with regard to the structure of BME as a holding company and the high specialisation of the activities carried out in each of the companies forming part of the Group, BME has considered it more appropriate that the internal control and risk management function be undertaken in a decentralised manner, as described below.

In this regard, BME has implemented a risk control system in accordance with international standards and adopted the COSO II Report as the methodological reference framework, with which the Company's risks are managed in an efficient and prudent manner. To define this risk control system, which is detailed in section E of this Report, the strong specialisation of activities performed in the Group has been considered, which has made it advisable that, given the different nature of the risks, the decentralised management of the business risks, which are managed by each Business Unit, co-exists with the centralised management of corporate risks (strategic, financial, regulatory, technological, and human resources), risks that are all coordinated by the Continuity and Risk Committee, reporting to the Management Committee.

The Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of all actions carried out when implementing the control and risk management policy, in order for these bodies to be able to undertake the duties attributed to them by law for supervising the effectiveness of the Company's internal control and the internal control systems implemented within the Group.

BME considers that this structure ensures that the Company's risks are suitably identified, managed and quantified, and allows the Audit Committee and the Board to successfully carry out their functions of monitoring the internal control and risk management systems

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors:

Complies [X] Complies partially [ ] Explanation [ ]

48. That high market capitalisation companies have formed separate appointments and remuneration committees:

Complies [ ] Explanation [ ] Not applicable [X]

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors:

Complies [X] Complies partially [ ] Explanation [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration:

Complies [X] Complies partially [ ] Explanation [ ]

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management:

Complies [X] Complies partially [ ] Explanation [ ]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meeting be recorded and the minutes be made available to all directors:

Complies [ ] Complies partially [X] Explanation [ ] Not applicable [ ]

Article 17 of Board of Directors Regulations establishes the Board's Markets and Systems Operating Procedures Committee, to which Article 21 of Board of Directors Regulations grants competence for supervising issues in relation to the efficiency and proper functioning of the markets and systems managed by the BME Group; application to BME, Group companies and their main shareholders of the habitual market conditions and the principle of equal treatment in their trading in the markets and systems managed by BME; and interpretation of the BME Group's Internal Code of Conduct.

The composition and operation rules for this Committee, established in the Board of Directors Regulations and implemented through its own regulations, follow sections c), d) and e) of the recommendation.

The composition requirements established in sections a) and b) of the recommendation are not followed insofar as an executive Director forms part of this Committee and also holds the position of its Chairman.

BME considers that given the specialised duties assigned to this Committee, what must be taken into account as a priority when appointing the members of the Board of Directors to serve on it is knowledge of the operation of the markets and systems managed by BME and the Group companies and professional experience in fields directly related to the operation of the financial and securities markets, given that this knowledge and experience shall enable the Committee to better carry out the functions attributed to it in the interests of the Company.

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks:

Complies ☐ Complies partially ☒ Explanation ☐

The Appointments and Remuneration Committee has competence to supervise compliance with the rules of corporate governance and, following the amendment of the Internal Code of Conduct which came into force on 1 January 2018, the Audit Committee supervises monitoring of internal codes of conduct, specifically the Internal Code of Conduct, in the terms established in this recommendation.

Moreover, the absence of a corporate social responsibility policy referred to in the explanation of Recommendation 54 implies that, in practice, its compliance may not be supervised by any Committee. Notwithstanding the foregoing, the Board of Directors' Regulations assign to the Executive Committee supervision of the monitoring of the corporate social responsibility strategy and practices, including the assessment of the processes relating to the different stakeholders; and the assessment of any matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational risks, as well as coordination of the process for disclosing non-financial information.

Notwithstanding the foregoing, works began in 2018 to establish a corporate social responsibility policy in the terms established by this recommendation.

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour:

Complies ☐ Complies partially ☐ Explanation ☒

BME considers that corporate social responsibility forms part of its overall strategy and the daily management of the Group.

In this regard, BME and the Group's companies carry out their activity efficiently, manage the financial markets and systems strictly complying with both domestic and national legislation, and in particular, the economic, social and environmental legislation, as well as with the codes which it voluntarily embraces.

BME has also defined its basic principles of action in the Corporate Social Responsibility Report, which is approved and published annually, and has taken into account the needs and priorities of the different market agents, as well as society in general as the ultimate beneficiary when financial markets and, by extension, the economy, operate properly.

Notwithstanding the foregoing, works began in 2018 to establish a corporate social responsibility policy in the terms established by this recommendation.

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies:

Complies ☒ Complies partially ☐ Explanation ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors:

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition:

Complies [X] Complies partially [ ] Explanation [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value:

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares:

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The Directors' Remuneration Policy includes, among other items in relation to the system of remuneration for executive Directors, medium-term and long-term variable remuneration the purpose of which is to boost their commitment to Company shareholders. This is paid in the medium and long-term Variable Remuneration Plans described in section A.3 of this report.

These medium and long-term Variable Remuneration Plans entail the allocation of theoretical units in a financial year, and stipulate that any shares to be received if the targets set are achieved shall be awarded by the Company when the three-year measurement period has elapsed.

BME considers that these characteristics of medium-term and long-term remuneration established in the Remuneration Policy and laid down in the current Share-based Variable Remuneration Plans include a clear element of deferral which allows the actual achievement of targets to be verified, and it is unnecessary to establish any additional retention periods.

Also, the share-based Variable Remuneration Plan approved by the Ordinary General Shareholders' Meeting on 26 April 2018 establishes the obligation for the beneficiaries of the Plan to hold the Company shares for one year after delivery.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate:

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

The current Directors' Remuneration Policy includes, among the main conditions of the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, a recovery or *"claw-back"* clause whereby, in certain circumstances, within a period of two years following payment, BME may demand that the CEO return the amounts paid as annual variable remuneration and shares received pursuant to the medium/long-term remuneration plans.

This recovery or *"claw-back"* clause was included in the "Contract of Director with executive functions" signed by the Company and the CEO, following unanimous approval by the Board of Directors, with no involvement by the CEO, pursuant to the provisions of Article 249 of the Corporate Enterprises Act.

The contractual conditions for the Chairman, including the conditions of remuneration, were established prior to approval of the Good Governance Code of Listed Companies, and do not include any clauses for recovery or *"claw-back"*.

Regardless of the foregoing, as stated in the explanation provided for the above recommendation and described in the current Directors' Remuneration Policy, the variable remuneration of Directors qualifying as executives, among whom the Chairman, has a considerable medium/long-term component linked to the delivery of shares.

This remuneration materialises in successive Remuneration Plans with a deferred component to demonstrate effective long-term compliance with the objectives set, and it is unnecessary to establish any clauses to claim repayments.

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment:

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

The conditions for the departure of the Chairman were established through a resolution by the 2006 Ordinary General Shareholders' Meeting, prior to the approval of these recommendations in the Good Governance Code of Listed Companies.

The current Directors' Remuneration Policy includes, among the main conditions of the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, the severance pay to be received by the CEO, which is limited to the greater of the following two amounts: (i) an amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Employment Statute at that time for any dismissal considered unfair.

This clause was included in the "Contract of Director with executive functions" signed by the Company and the CEO, following unanimous approval by the Board of Directors, with no involvement by Mr. Javier Hernani Burzako, pursuant to the provisions of Article 249 of the Corporate Enterprises Act.

H. Further information of interest

1. **If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.**

2. **This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.**

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. **The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.**

Pursuant to the Code of Best Tax Practices approved by the Large Businesses Forum, which BME embraced on 30 September 2010, the annual corporate governance reports of companies embracing this Code must include reference to the fact that these companies comply with such practices.

In 2018, in order to comply with the commitments undertaken by the Company through its adhesion to the Code of Best Tax Practices to be applied by the Company approved by the Board of Directors at its meeting on 30 July 2015, at a meeting on 27 February 2018 the Audit Committee was informed and took due note of the fiscal policies applied by the Company, before preparing the financial statements.

Subsequently, at a meeting on 17 July 2018 the Audit Committee was informed of the tax policies applied by the Company for the filing of the 2017 Income Tax return

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This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 27 February 2019.

State whether any directors voted against or abstained from voting on this report:

Yes ☐ No ☒

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries composing the Bolsas y Mercados Españoles Group (BME)

Consolidated Non-Financial Information Statement (Corporate Social Responsibility Report) for the year ended 31 December 2018, together with the Independent Expert's Report

BME
BOLSAS Y MERCADOS ESPAÑOLES

Independent Verification Report

BME
BOLSAS Y MERCADOS ESPAÑOLES

pwc

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

To the shareholders of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the attached Non-Financial Information Statement (Corporate Social Responsibility Report) (hereinafter "NFS") for the year ended 31 December 2018 of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the parent Company) and subsidiaries (the Group) which forms part of the Group's Consolidated Management Report.

Responsibility of the Directors

The preparation of the NFS included in the Group's Consolidated Management Report and the content thereof are the responsibility of the Directors of the parent Company. The NFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") described in accordance with the Essential Option, as well as other details provided for each matter in the table "*Non financial information content index*" of the NFS.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFS to be free of any immaterial misstatement due to fraud or error.

The Directors of the parent Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on Non-Financial Statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to the Management, as well as to several units of the Group that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Group's personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the NFS for 2018, based on the materiality analysis carried by the Group and described in section "Materiality of the Report", considering the content required under current commercial legislation.

- Analysis of the procedures used to compile and validate the information presented in NFS for 2018.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for 2018.

- Verification, through sample testing, of the information relating to the content of the NFS for 2018 and its adequate compilation using data supplied by the sources of information.

- Obtainment of a management representation letter from the Directors of the parent Company and Management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that the Group's NFS, for the year ended 31 December 2018 has not been prepared, in all its significant aspects, in accordance with the provisions of current commercial legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") following the Essential Option, described in accordance with the details provided for each matter in table: "Non financial information content index" included in the NFS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

February 28, 2019

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Letter from the Chairman

BME
BOLSAS Y MERCADOS ESPAÑOLES

Letter from the Chairman

(102-14)

Dear shareholders,

I am pleased to present BME Group's non-financial information statement for 2018, a year in which we achieved strong revenue and profits, launched our 2019-2021 strategic plan, and renewed our commitment to sustainability.

Since 2007, BME has provided its stakeholders with an annual Corporate Social Responsibility Report, which, due to a change in regulations, is now termed the consolidated non-financial information statement. This report, drafted in accordance with the rules for the preparation of Sustainability Reports under the GRI Standards (*) and the new Law 11/2018 of 28 December, which amends the Trade Code, the consolidated text of the Stock Capital Companies Act and the Accounts Audit Law on diversity and non-financial reporting, describes the sustainable impact of the activities of BME and its subsidiaries.

The report includes a materiality analysis that defines the contents. According to this report, transparency and independence in operation, guided by ethics and integrity, are the aspects that most influence the decisions of the company's stakeholders and have the greatest impact on the company's ability to carry out its activities.

Since its inception, the stock exchange has taken on a strong role by supporting enterprises and businesses projects: a role that BME continues to play today. A good example of this is last year's record figures for financing small-capitalisation companies through alternative markets, with €6.3 billion channelled in Fixed Income on MARF and €1.1 billion raised in equities on MAB, BME's alternative Fixed Income and Growth markets respectively.

Antonio J. Zoido

** Global Reporting Initiative (GRI) is a non-governmental organisation whose purpose is to promote sustainability reports to improve their quality, rigour and usefulness through the implementation of the triple bottom-line approach: environmental, social and economic. To such effect, the GRI publishes a methodology for the preparation of sustainability reports, which it frequently revises, the current version of which is implemented through the GRI Standards.*

The original social role of the stock markets is further supported by BME's wide range of sustainability actions, which follow the principles of the United Nations' Global Compact, which the company joined in 2011. This international agreement seeks to implement universal principles of conduct and action with respect to Human Rights, labour standards, the environment and the fight against corruption.

The company has also participated in the Code of Good Tax Practices since 2010, and in Sustainable Stock Exchanges (SSE), a UN initiative aimed at raising awareness of good corporate governance and corporate social responsibility.

In 2018 BME achieved a significant improvement in energy efficiency. The group's indirect greenhouse gas emissions fell by 20.3% compared to the previous year and energy consumption fell by 7.64%.

Our human capital is one of BME's main assets. At the end of December last year, the company employed 770 people. Among other services to employees, BME renewed its commitment to training. Last year, 85 courses were held as part of the continuous training career plan, comprising nearly 7,850 teaching hours.

Once again this year, we have paid special attention to our shareholders, of whom 96% are non-controlling shareholders, with our decision to maintain one of the highest pay-outs on the Spanish stock exchange. BME hosted a Shareholder Education Programme of face-to-face courses taught by qualified professionals at the headquarters of the Madrid, Barcelona, Valencia and Bilbao stock exchanges.

BME's commitment to society is reflected in its initiatives in support of financial literacy through Instituto BME, the group's education and training centre, which last year provided 3,477 hours of training. The company supports the Financial Literacy Day and a range of stock market-related educational projects at universities and schools.

As far as business is concerned, a detailed summary is given in BME's full Annual Report, which, as usual, BME publishes on the occasion of its Shareholders Annual General Meeting. In October 2018 the company presented its strategic plan for 2019-2021, which envisages 4% growth in revenue and a 6% improvement in profit. The key vectors of the plan are to further strengthen the robust management model, boost business areas and inorganic growth to address challenges such as the worldwide decline in trading volume, tougher competition and regulatory changes.

The company's objective is to continue growing, with our strategic plan as our benchmark. We aim to strengthen our leading position in the sector, combining effective business management with utmost respect for sustainability.

Yours sincerely,

Antonio J. Zoido

1. BME and Corporate Social Responsibility

(102-5)

BME
BOLSAS Y MERCADOS ESPAÑOLES

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME or the Company), operator of the securities markets and financial systems in Spain, is a benchmark in the sector in terms of solvency, efficiency and profitability. The Company is a public limited company listed on the Exchange since 14 July 2006 and included in the FTSE4Good IBEX® index since its beginnings.

Since 2007 and up until 2017, to coincide with the publication of the call to the Ordinary General Shareholders' Meeting, the Company provides shareholders with an annual Corporate Social Responsibility Report covering the activities of BME and its subsidiaries throughout the year and their impact on sustainability. As of 2018, the non-financial information statement (formerly the Corporate Social Responsibility Report), will be made available to shareholders for the purposes of issuing the financial statements, and included as an Appendix to the consolidated management report.

The preparation of this non-financial information report (Corporate Social Responsibility Report) demonstrates the importance that the surroundings have for the Company. The report discloses all relevant information on financial and non-financial issues affecting the Company's activities with the utmost transparency, using one of the internationally accepted methodologies for this purpose, the GRI.

The Board of Directors, within the scope of its competences, during its session held on 19 March 2018, approved the Corporate Social Responsibility Report for the year 2017, doing so in accordance with the core option established in the guidelines for the preparations of Sustainability Reports of the GRI G4.

At its meeting held on 27 February 2019, the Board of Directors also approved this Non-Financial Information Report (Corporate Social Responsibility Report) for 2018, which has been prepared in accordance with the content established for the preparation of the Sustainability Reports by the GRI Standards and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts regarding non-financial information and diversity. The Non-Financial Information Statement (Corporate Social Responsibility Report) for 2018, included as an appendix to the Consolidated Management Report for 2018 and verified by the independent provider of verification services PricewaterhouseCoopers Auditores, S.L., complements the annual Corporate Governance Report, the Annual Report on Directors' Remuneration and the Report on the Activities of the Board of Directors and its Committees for 2018, which are made available to the shareholders and investors on the corporate website.

Scope of the consolidated non-financial information statement for 2018

The financial data included in the non-financial information statement for 2018 (pre-tax profit, total tax contribution and breakdown of taxes paid and collected, financial assistance received from governments or public authorities in general, economic value generated, distributed and retained, supplier and turnover) includes the financial data of the BME Group companies that consolidate financial statements (the consolidated under the equity method has been applied to all the investees, with the exception of the participation in share capital of REGIS-TR, S.A., which amounts to 50% and is accounted for using the equity method and the financial data for which is not included in the non-financial information statement).

The data on employees included in the non-financial information statement contains data on all employees of the BME Group companies that consolidate their accounts, except the employees of Openfinance, S.L., BME Soporte Local Colombia, S.A.S. and Latam Exchange Data Inc as their employment regime is managed separately to the other employees of the BME Group.

Main key performance indicators of BME concerning Corporate Social Responsibility *(102-54)*

MAIN KEY PERFORMANCE INDICATORS

ECONOMIC

Economic value generated:
306,937 thousands of euros
(-4.35% vs 2017)

Shareholder remuneration through dividends:
147,897 thousand euros in dividends
(-1.14% vs 2017)

ENVIRONMENTAL

Internal energy consumption (consumption of electricity and natural gas):
32,368.30 GJ (-7.64% vs 2017)

Indirect greenhouse gas emissions (associated with the consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle):
3,058.33 t of CO_2 (-20.30% vs 2017)

SOCIAL

Economic value distributed to stakeholders:
309,711 thousands of euros
(0.19% vs 2017)

Record of financing small cap companies through alternative markets:
6.35 billion euros in fixed income in the MARF (+60% vs 2017) **and 1.18 billion euros in shares on the MAB** (+72% vs 2017)

Our stakeholders *(102-40, 102-42 , 102-43)*

In accordance with the relevant criteria for the Company and its activities, it has identified five stakeholder groups which are the users of its services, its shareholders, company employees, service providers and society in general.

SHAREHOLDERS

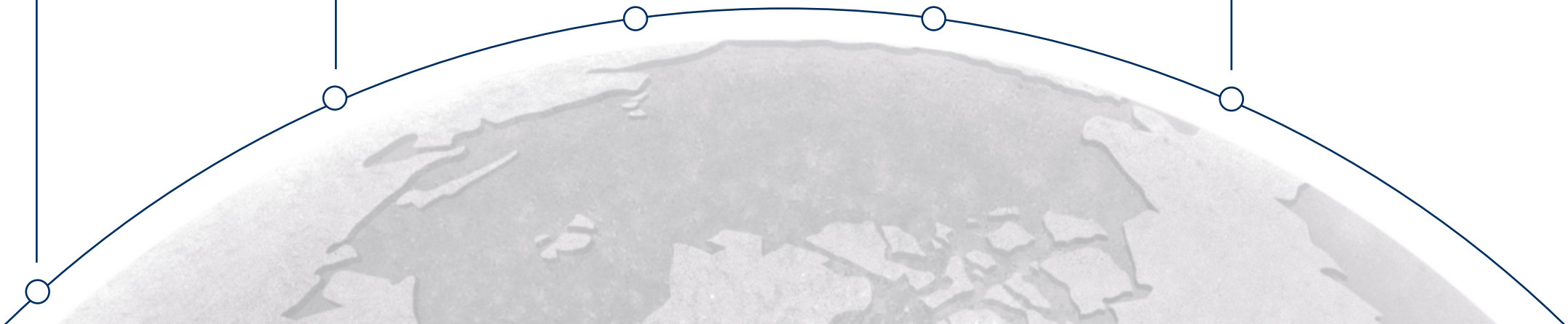
SUPPLIERS
89.51% of BME's suppliers are local.

COMPANY
20% and 46% of the value of listed shares are held by Spanish households and foreign investors, respectively.

USERS
Leading Exchange by Dividend Yield (+4.6%) of listed companies *(according to MSCI's developed markets classification)*

EMPLOYEES
9.58 hours/employee. Ratio of training hours received per employee.

SHAREHOLDERS
95.30% of BME's shareholders are non-controlling shareholders, which own 43.75% of the share capital.



The needs and priorities of these stakeholders have been taken into account to establish BME's principles and guidelines of action (see the section on "Responsible management model").

With the aim of strengthening a constructive relationship with its stakeholders, BME maintains channels of communication that allow the Company to respond to their expectations. BME establishes the frequency in the relationship with its main stakeholders, depending on business needs.

Through the approval of this report, the Board of Directors addresses those relevant issues that have arisen in the relationships and communication of the Company with its stakeholders and the departments involved in its relationships with stakeholders. In particular, this non-financial information report (Corporate Social Responsibility Report) has been prepared based on the materiality analysis previously performed in which the most relevant aspects for the Company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues.

BME edited a book on the occasion of the 125th. Anniversary of the Palacio de la Bolsa.

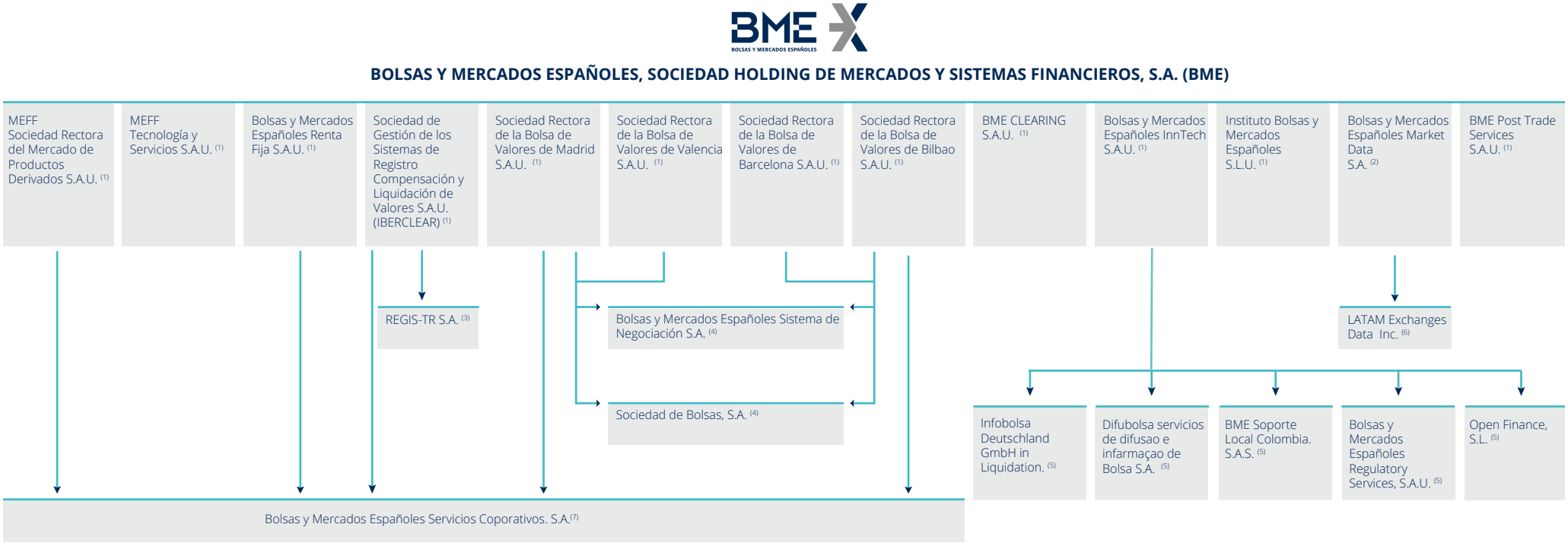
2. Company Profile

(102-2, 102-3, 102-4, 102-6, 102-45)

BME
BOLSAS Y MERCADOS ESPAÑOLES

COMPANY ORGANISATIONAL CHART AND OTHER COMPANY OWNERSHIP INTERESTS AT 31 DECEMBER 2018

The Bolsas y Mercados Españoles (BME) Group comprises the following companies:



1) BME holds a 100% stake in the share capital of MEFF Sociedad Rectora del Mercado de Productos Derivados. S.A.U. MEFF Tecnología y Servicios. S.A.U. Bolsas y Mercados Españoles Renta Fija. S.A.U. IBERCLEAR Sociedad Rectora de la Bolsa de Valores de Madrid S.A.U. Sociedad Rectora de la Bolsa de Valores de Valencia. S.A.U. Sociedad Rectora de la Bolsa de Valores de Barcelona. S.A.U. Sociedad Rectora de la Bolsa de Valores de Bilbao. S.A.U. BME Cleaning. S.A.U. Bolsas y Mercados Españoles InnTech. S.A.U. Instituto Bolsas y Mercados Españoles. S.L.U. and BME Post Trade Services. S.A.U.

(2) BME, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U. and Sociedad de Bolsas S.A. have a stake of 49.8%, 7.8%. 0.1%, 10.1%, 9.9%, 9.9% and 9.9% and 2.5% respectively in the share capital of Bolsas y Mercados Españoles Market Data. S.A.

(3) IBERCLEAR holds a 50% stake in the share capital of REGIS-TR.

(4) Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., and Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. holds a stake of 25% in the companies Bolsas y Mercados Españoles Sistemas de Negociación, S.A. y Sociedad de Bolsas, S.A.

(5) Bolsas y Mercados Españoles InnTech, S.A.U. holds a 100% stake in the share capital of BME Regulatory Services, S.A.U., Infobolsa Deutschland, GmbH y BME Soporte Local Colombia, S.A.S., as well as a stake of 99.99% and 81%, respectively, in the share of capital of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. y Openfinance S.L.

(6) Bolsas y Mercados Españoles holds a stake of 51% in the share capital of the company LATAM Exchanges Data Inc.

(7) MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., IBERCLEAR, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. y Sociedad de Bolsas, S.A. hold a stake of 11%, 9%, 21%, 48% and 11% respectively in the company Bolsas y Mercados Españoles Servicios Corporativos, S.A.

The corporate and operational headquarters of BME and of all the companies of the group (with the exception of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH in Liquidation, Regis-TR, S.A. and BME Soporte Local Colombia, S.A.S. and Latam Exchange Data Inc.) are located in Spain, the country where they essentially carry out their activities, with the central headquarters of BME located in Madrid, Plaza de la Lealtad 1, and the main operational headquarters of the organisation in Las Rozas (Madrid), Calle Tramontana 2bis.

Since it was founded, BME has been committed to developing and upgrading the Latin American financial markets, the energy market and the financial sector in general, through shareholdings in the following companies at 31 December 2018:

- **Cámara de Riesgo Central de Contraparte de Colombia, S.A.,** in which BME holds a stake of 9.91% in its share capital.
- **Bolsa Mexicana de Valores, S.A. de Capital Variable,** with a stake of 0.99% in its share capital.
- **Operador del Mercado Ibérico de Energía – Polo Español, S.A. (OMEL),** of which it indirectly owns through Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) 5.65% of its share capital.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.,** of which BME holds a 5% stake.
- **Sociedad Bilbao Gas Hub, S.A.,** in which BME holds a stake of 2.03%.
- **Noster Finance, S.L. (Finect),** a financing company which offers investors, inter alia, a specialised community, interactive tools to improve decision-making and financial information based on smart data technology, in which BME holds a stake of 8.98%.

Corporate transactions corresponding to 2018 *(102-10)*

The corporate transactions corresponding to 2018, have not resulted in changes to the registered address nor the operational headquarters of BME, nor the closure or expansion of its offices.

Without prejudice to the foregoing, in 2018 BME acquired 9.7% of Finect and Bolsas y Mercados Españoles Market Data, S.A. together with Bolsa Mexicana de Valores, S.A. created an open-ended company called Latam Exchange Data Inc (LED), with registered address in the state of Florida (United States of America), in which Bolsas y Mercados Españoles Market Data, S.A. holds a stake of 51%.

Scale of the organisation *(102-7)*

The following table details the necessary figures to determine the size of the organisation at 31 December 2018: total workforce and owners' equity.

SIZE OF THE ORGANISATION

BME GROUP

770
Total headcount

399,210
Total owners' equity (thousands of euros)

Performance of the last 3 quarters	2016	2017	2018
Total headcount	762	755	770
Total owners' equity (thousands of euros)	423,792	430,147	399,210

2.1. Business Model *(102-15)*

The following table contains a schematic representation of BME's value chain, which identifies the users of the main products and services provided by each one of the business units through the governing bodies and companies of BME Group. The educational and informative activity strengthens the aforementioned value chain and contributes to end-users and clients having the necessary and sufficient knowledge to allow them to obtain their objectives with greater assurance, transparency and security.

BUSINESS MODEL

BME GROUP

TRADING AND LISTING

Users

Market members and through these, companies and retail and insitutional investors.
Issuers of equities and fixed income.

Business Units

Governing Bodies, Markets and Systems and Companies of the BME Group

Fixed Income	Equities	Derivatives
BME Fixed Income (AIAF, MARF, SENAF) Stock exchange (Madrid, Barcelona, Bilbao and Valencia)	Stock exchange, Sociedad de Bolsas BME Trading Systems (MAB, Latibex)	MEFF

Products and Services that are traded on the markets assigned to each business unit

Public Debt (government bonds, debentures, bills) and financial statements	Comercial paper Mortgage-backed bonds Corporate Bonds Securitised bonds Green bonds	Shares ETFs Warrants Certificates	Options and futures on: Shares and bonds. Indices, Dividends. Electricity derivatives.

POST-TRADING

Users

CLEARING: Members of BME CLEARING and energy companies (electricity and gas).
IBERCLEAR: Iberclear members, companies emitting CO_2 and RENADE. Participants. Regis-TR clients

Cleaning

Business Units: Clearing

Services: Clearing and central counterpartyt

Companies: BME Clearing

Settlement and Registration

Business Units: Settlement and Registration

Services: Settlement and Registration and other auxiliary services, RENADE

Companies: Iberclear, Regis TR

Settlement and Registration

Companies: BME Clearing

ADDITIONAL INFORMATION AND SERVICES (Technological, Regulatory and Innovation)

Information broadcasters.
Issuers, financial entities and other companies.
Private and institutional investors.
Financial Markets and financial institutions.
Systematic Internalisers

Information and Added Value Services

BME Market Data, BME Inntech,
BME Regulatory Services,
Sociedad de Bolsas, Openfinance.
MEFF Tecnología.

Information services,
technological innovation,
financing and consultancy.
Market access and algorithmic trading.
Regulatory compilance services.

EDUCATIONAL AND INFORMATIVE ACTIVITY

Financial sector professionals and regulatory bodies.
Private investors and students.
Means of Communication. Police, Judges and Magistrates

Instituto BME
BME Fixed Income, MEFF,
BME Systems of Stock and Stock Exchange.

Training programmes.
Tailored programmes.
MFIA accreditation.
Cooperation with other institutions.
Training for BME shareholders.
BME 4Companies Guided visits.

MISSION, VISION, VALUES AND OTHER KEY ELEMENTS OF THE BME BUSINESS MODEL *(102-15, 102-29, 102-30)*

MISSION AND OBJECTIVES

The mission of BME is to be the leading company for financial markets and systems in Spain, always striving to achieve service excellence and constantly innovate in markets and services. We also aim to create value for society and our shareholders.

The main objective of BME is to place the client at the heart of all corporate decisions and maximise the relationship with them in a manner so that excellence and the provision of the best service continue to be distinguishing features and BME's most recognisable hallmark.

BME also drives the significant increase in its revenue through:

- Organic and inorganic growth,
- Increased geographic diversification and services,
- The strengthening BME's solid business model by adapting it to the new environment, and
- Customer equity.

VALUE GENERATED BY BME FOR ITS STAKEHOLDERS

- This is a source of financing and liquidity for companies, promoting the confidence of society in the financial system guaranteeing the proper functioning on the markets and undertaking the commitment to being a prominent leader of the economy of Spanish companies, as well as for Latin American companies through Latibex.
- It offers its users a wide range of products, services and trading systems based on an advanced and stable proprietary technology which adapts to its requirements. BME also provides global market access systems to issuers, intermediaries and investors around the world, with clients in Europe, America and Africa.
- It also encourages the professional and personal development of its employees through the constant improvement of the services and activities that it provides them, its training programmes and professional motivation.
- It focuses its activity on the generation of shareholder value and is trusted by millions of investors who benefit from one of the highest pay-outs on the Spanish stock market, exceeding more than 90%.
- It generates business between its suppliers of a general nature within a local context.

ASSOCIATED RISKS AND POLICIES APPLIED BY THE GROUP

Within the framework of its risk management system, BME considers, inter alia, factors relating to the environmental and social performance of the organisation as well as other areas such as respecting human rights and the fight against corruption, fraud and bribery. The main risks associated with BME's activities are detailed in sections E and F of BME's Annual Corporate Governance Report for 2018, which is integrated into the Consolidated Directors' Report. Risks related to environmental, social and workplace performance of the organisation, as well as other areas such as the fight against corruption, fraud and bribery are not among BME's main risks and therefore no impacts have been detected in connection with these.

The policies that BME Group applies in relation to the activities it carries out, such as, the Corporate Governance Policy, the Directors' Remuneration Policy, the annually approved dividend distribution Policy, the Communication Policy, the principles of conduct of the Human Resources area, the Remuneration Policy, the Security Policy, as well as those measures implemented in connection with the aforementioned.

DISTINGUISHING VALUES

BME is a leader in the sector in terms of solvency, efficiency and shareholder returns. BME is a company recognised for its impartiality, transparency and protection, it is a dynamic and modern company committed to customer service, innovation and development, using technology developed in-house that has been exported to other several countries.

NECESSARY RESOURCES

The necessary resources so that BME can carry out the activities detailed in the value chain centred on the workforce, the constant development of knowledge and in-house technology and the strengthening of the relationship with suppliers and users.

KEY INDICATORS OF NON-FINANCIAL RESULTS

View the main key performance indicators of BME concerning Corporate Social Responsibility detailed in Chapter 1.

2.2. Responsible management model *(102-16)*

As manager of Spain's financial markets and systems, BME is the nexus between Spanish and international companies and investors. It provides a channel through which savings can be used to finance companies, while endeavouring to offer maximum speed, reliability, transparency, efficiency and security to the markets and systems it manages.

In this regard, BME and the Group's companies carry out their activity efficiently, responsibly and sustainably, managing the financial markets and systems in strict compliance with both domestic and international legislation, and in particular, economic, social and environmental legislation, as well as the codes it voluntarily embraces.

BME'S corporate social responsibility is an integral part of the Group's general strategy and day-to-day operations. It discloses all relevant information on financial and non-financial issues affecting the Company's activities with the utmost transparency.

Therefore, BME includes its basic principles of action in the non-financial information report (Corporate Social Responsibility Report), which have taken into account the needs and priorities of the stakeholders in their definition.

Principles and guidelines of conduct

BME has always been committed to setting a benchmark for the economy and for businesses in Spain and in Latin America through Latibex. To achieve this, its actions are guided by the following principles:

Efficiency in the provision of services.
Essential for the financial market to perform its key role in fostering sustainable economic growth.

Market integrity,
enabling several centres to undertake trading activity simultaneously and under identical conditions.

An impartial trading environment,
achieved through strict compliance with laws and regulations governing the financial markets and systems.

Transparency and fairness in the market,
by providing complete information on market performance so that investors can operate under identical conditions, without privileges of any sort.

Innovation and cutting-edge technology,
to provide the means necessary to help companies grow and participate actively in the creation of new financial products and the development of systems infrastructures.

Training,
as a cornerstone for the sustainable development of financial markets.

Investor protection,
crucial for creating a bond of trust between investors and the market.

The Company's guidelines for the different actors involved in the markets and society in general can be summarised as:

- compliance with Spanish, Community and international laws and regulations, (among them, those that regulate the activities related to the securities market, accounting, employment, social, and environmental aspects and the supply and use of products and services deriving from their operations), and the codes to which it adheres voluntarily, as well as strictly complying with social ethics and best practice models in its business operations. In light of the foregoing BME has not made provision for material fines or other concepts relating to environmental, social or corporate governance aspects in the audited financial statements:
- making the necessary efforts to ensure that relationships with users, investors and shareholders are profitable for all concerned,
- maintaining solid and fluid relationships with government and watchdog bodies through official channels,
- implementing clear procedures for selecting partners and the marketing of services and technology,
- on-going contact with shareholders and potential investors, and,
- building fluid relationships between the company, its employees and trade union organisations. *(102-16)*

BME Group is committed to favouring transparency and free market rules, as well as competing in markets in a fair manner and not carry out misleading or denigrating publicity of its competition or third parties. In 2018, BME Group was not affected by any significant legal proceedings filed for anti-competitive behaviour, anti-trust, and monopoly practices. *(103: Anti-competitive behaviour, 206-1)*

Initiatives in which it participates *(102-12)*

BME is involved in the following national and international initiatives:

- **Code of Best Tax Practices** since 2010. Practically all the companies forming the BME Group are individually adhered to the Code of Best Tax Practices, the aim of which is to promote a cooperative reciprocal relationship between the Tax Agency and the BME Group companies that have adopted it, based on the principles of transparency, mutual trust, good faith and honesty between the parties.
- **The United Nations Global Compact (UNGC)** since 2011, an initiative that aims to promote business sustainability through the implementation of 10 universal principles of conduct and action in relation to human and corporate rights, labour practices, the environment and the fight against corruption, in the strategy and the day-to-day operations of all types of entities, thus promoting sustainable development objectives. BME complies with its fundamental responsibilities in the areas of human rights, employment, the environment and anti-corruption, by incorporating the principles of the Global Compact into its strategies, policies and procedures, and by fostering a culture of business integrity.
- **Sustainable Stock Exchanges (SSE),** a United Nations project, since 2015, an initiative of which it is a Partner Exchange, the aim of which is to raise awareness of good corporate governance and social and corporate responsibility and to promote sustainable business practices. In the performance of the aforementioned commitment, BME encourages the issuers of securities and the new companies listed on the markets and systems managed by BME, to report non-financial environmental, social and corporate governance information in their periodic reports. *(102-12)*

Tax transparency *(103: Economic performance, 201-1)*

Effective tax management and greater legal security in tax matters enhance the results of the Company and the Group, and lessen the risks inherent in complying with tax obligations.

On 30 September 2010, BME signed the Code of Best Tax Practices and, in response to its recommendations, in 2011 it approved tax policy principles and in 2015 these were updated and are available on the BME corporate website.

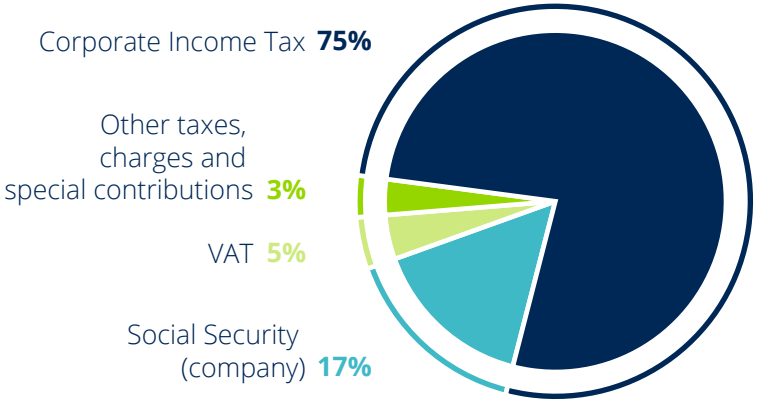
The Board of Directors, subject to a favourable report by its Audit Committee, must approve the corporate transactions that might take place and that are considered relevant for the Company given the special tax treatment they receive - such as the creation or acquisition of holdings in special purpose vehicles or those domiciled in countries or territories considered tax havens - and any transaction or business of a similar nature that might undermine the Group's transparency.

TAX TRANSPARENCY

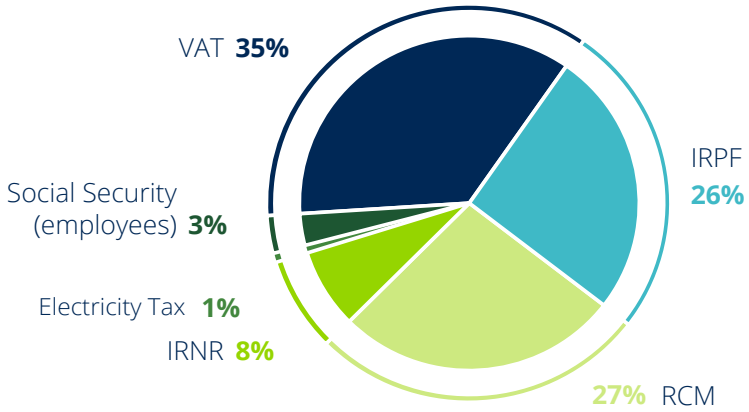
	Country	2016	2017	2018
Profit before tax [1] (thousands of euros)	Spain	203,397	196,461	177,285
	Germany	71	21	5
	Portugal	-29	-25	-52
	Colombia	-	9	18
	United States	-	-	-249
Income tax and other taxes (thousands of euros)	Spain	51,063	49,526	43,721
	Germany	0	0	0
	Portugal	0	0	0
	Colombia	-	2	3
	United States	-	-	0
Total tax contribution [2] (thousands of euros)	Spain	134,374	131,855	127,706
	Germany	24	12	10
	Portugal	18	14	10
	Colombia	-	32	61
	United States	-	-	8

(1) The data on profit before tax detailed in this table corresponds to the profit obtained individually by the companies of the group in the country where they have their registered address, excluding any consolidation adjustments, therefore the data expressed herein do not agree with pre-tax profit figures shown in the consolidated annual accounts.
(2) This includes the taxes on its activities, which are an effective cost for the Company and its group and the taxes collected and paid on behalf of other tax payers as a result of the economic activity generated.

TAXES PAID (2018)



TAXES COLLECTED (2018)



LEGEND:

VAT: Value-Added Tax. IRNR: Non-Resident Income Tax. RCM: Capital Gains Tax. Social Security (Company): Personnel expenses related to the Social Security.

2.3. Security, ethics and integrity

BME considers the assets of the BME Group, among which are its operational headquarters, data processing centres and the information associated with the services that it provides, as well as the information systems that support it, as strategic resources subject to special protection.

In this regard, the Company has identified as a material aspect of great importance for its stakeholders and its strategy the secure, ethical and integral development of its activities, which is shaped by the logical and physical security policies adopted by the Company as well as by the Crime Prevention System and the Internal Code of Conduct and their implementing regulations. The documents containing the policies, regulations and procedures deriving from these issues have been distributed and made available to employees via the BME intranet.

A) Security Policy

With the aim of ensuring that the assets and persons associated with the BME Group are protected from threats and risks that may affect them, as well as safeguard the integrity of its employees, clients and partners, BME has approved the Security Policy which affects employees and directors of BME Group companies and any external contractors that may exist and, also the different assets of the Group, whether tangible and intangible, movable and immovable.

BME created the Security Committee, in which all members of the Senior Management participate, to direct and organise in a comprehensive manner the logical and physical security functions under a Comprehensive Security Management Model in line with the main standards such as ISO/IEC 27001, ISO/IEC 27002, ISO 22301 and ISO/IEC 31000.

Logical Security Policy

BME's Logical Security Policy, which allows it to ensure the information and IT systems are protected from threats and the risk of data leaks such as intrusions, fraud, sabotage and industrial espionage, are implemented through *the Information Security Policy and the Business Continuity Policy*:

- *Information Security Policy,* the purpose being to prevent the abusive use of IT tools through the identification of prohibited and permitted conduct, the consequences that may derive from their abusive use and the control procedures to be adopted by Company Management.

  To complement this Policy, BME has approved the Policy on Handling Sensitive Information, which sets out the criteria for classifying and handling documents depending on their level of confidentiality in order to reduce the risk of unauthorised access to BME Group's sensitive information.

  BME has implemented a procedure, defined by the Information Security Department, which is applied to the management of Human Resources in the scope of the selection and recruitment of personnel, aligning it with the security requirements recommended by Standard ISO 27000, to ensure that the candidates understand their responsibilities and are suitable for the roles for which they are being considered, understand and comply with their duties in relation to information security and protect the interests of the organisation as part of the change process upon termination of employment.

- *The Business Continuity Policy* details the technical and organisational initiatives that ensure the operations of BME in the case of a severe security incident.

Physical Security Policy

The Physical Security Policy is described in the Physical Security Plan, which details the physical security measures implemented by BME to protect the facilities, especially the data processing centres where all the IT equipment and information, storage and processing systems are located.

B) Ethics and Integrity *(102-16, 102-34)*

Ethics and integrity at BME are the cornerstones upon which its commitment to its stakeholders is built. With this in mind, BME Group sets out the general principles of action of its directors, legal representatives, management and employees through diverse means with the aim of establishing a framework that allows BME to create efficient measures to prevent, discover, investigate and, where applicable internally penalise the crimes and inappropriate conduct that may be committed with the resources or during the performance of their activities in BME and the companies of the Group.

General principles for operating in the securities market *(102-16, 102-17)*

The Company has in place an Internal Code of Conduct (ICC) that the Board of Directors maintain up-to-date, the purpose of which is to define the principles and framework of action that must be observed for operating in the securities market by all BME personnel and the companies of its Group and any other person providing their services or maintaining a professional relationship with BME and its Group.

As per the Internal Code of Conduct, and in line with guidelines for disclosing insider information to third parties published by the Spanish National Securities Market Commission (CNMV), BME's Policy for the treatment and transmission of insider information lists the measures and internal control procedures to be established in BME and its group companies to safeguard insider information.

In addition to these rules of conduct, BME has established a Procedure for reporting deficiencies in the internal control and management systems, which establishes the channels any employee can use to inform the competent internal body of any irregularities detected in these systems. No irregularities or weaknesses were reported in the risk management and internal control systems in 2018.

These regulations and the implementation of the procedure for reporting deficiencies in internal control and risk management systems are an effective mechanism for detecting potential cases of corruption and fraud.

Monitoring and compliance bodies

The Markets and Systems Operating Procedures Committee is the competent body responsible for the interpretation of the Internal Code of Conduct, while the Audit Committee is responsible for the processing and, where applicable, the imposition of the penalties for non-compliance with the Internal Code of Conduct on the members of the Board of Directors and persons with managerial responsibilities.

The Board of Directors oversees the activities of its delegated Committees, among these being the Markets and Systems Operating Procedures Committee and the Audit Committee, with an annual assessment of their performance, through the Activities Report of these Committees. The monitoring of the actions carried out for the compliance with the Internal Code of Conduct can be consulted in the Reports on the activities of the Board of Directors and of the committees all corresponding to 2018, which are available on the corporate website www.bolsasymercados.es.

General principles governing the actions of BME employees *(103: Anti-corruption 102-16, 102-17, 205-2, 205-3)*

With the aim of combating and preventing all types of crime, and in particular fraud, corruption and bribery, which may potentially materialise in the performance of the activities carried out by the Company and to strictly comply with the legislation in force, BME has established a crime risk prevention system, which is based on general preventive controls, consisting of the rules, bodies and procedures and communication channels and other specific preventive controls such as the Integrated Risk Management System and the review carried out by the Regulatory Compliance and Internal Audit Departments.

Among the general preventive controls that facilitate the prevention of crime and the fight against corruption, bribery and fraud, are:

Code of Conduct: The Code of Conduct, which comprises the ethical principles and rules of conduct which govern the actions of all directors, legal representatives, managers and employees.

For illustrative purposes, employees are issued with "Principles of Action Guidelines for Employees", which aims to provide employees with knowledge of those conducts that may be classified as a crime.

Crime Risk Prevention Model: The Principles for crime risk prevention of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and its Group Companies, which are the basis of the Crime Risk Prevention System, described among other documents in the general and special section of the Crime Risk Prevention Manual, which were updated during 2015 and 2016 due to the entry into force of amendments to Spain's Penal Code.

Although BME is not obliged by Law 10/2010 of 28 April on the Prevention of Money Laundering and the Financing of Terrorism, the abovementioned Crime Risk Prevention System establishes specific controls to mitigate the behaviour associated with money laundering and the financing of terrorism within the organisation.

The Whistleblowing Channel, available to employees on the Human Resources intranet together with its Usage Policy, establishes the procedure for communicating and processing the facts from which it may be inferred that there is evidence of non-compliance with the policies or procedures implemented by the Group, non-compliance with the Code of Conduct or other aspects that may be evidence of a possible crime, such as corruption, bribery or fraud. In 2018 the Whistleblowing Channel received a communication which was dismissed as it was not covered by the target scope of the whistleblowing channel, as detailed in the previously mentioned Policy for Use.

The Crime Prevention Committee, reporting to the Audit Committee, was set up to implement, develop and comply with BME Group's crime risk prevention system.

In order to raise awareness among employees of the importance of these crime risk prevention measures, the company has developed and delivered a specific training course on this topic to all of its employees with the aim of raising awareness of the crimes that may be committed within the scope of the activities carried out by BME and its Group companies.

The Code of Conduct establishes the principles and guidelines of conduct to prevent actions related to the typical conduct associated with, for example, the crimes of corruption among civil servants or bribery and corruption in international business transactions, as well as the crimes of passive bribery and the exercise of undue influence and against the Spanish Taxation Authorities and Social Security, the controls of which aimed at mitigating the risks of committing associated conducts are detailed in the Special Section of the Crime Risk Prevention Manual.

In addition, the members of the Boards of Directors and certain positions of the companies of the BME Group that are considered supervised entities, must sign an Honesty Statement in which they declare that they do not have prior convictions for any serious fraudulent or negligent crime related to, for example, the provision of financial services and data services, acts of fraud, misappropriation of funds, bribery, or misconduct in the management of a company.

In this manner, BME, through the above channels effectively fights against any case of corruption, bribery or fraud that may affect, where applicable, the companies of the Group, the employees of BME and of its Group companies, the members of the governing bodies of these companies and the other persons who provide services or engage in a professional relationship with BME or its Group companies. No cases of corruption, bribery or fraud were reported or identified in 2018.
(102-16, 102-17, 205-1, 205-2, 205-3)

Monitoring and compliance bodies *(102-29, 102-30, 205-1)*

The Risk Prevention Committee, reporting to the Audit Committee, is the internal control body that has autonomous power to act upon its own initiative and control and is charged with the supervision of the functioning and the compliance with the prevention model implemented in BME Group.

This Committee, which has the support of the Regulatory Compliance Department and the General Secretary and the Board, is charged with the supervision of the effectiveness of the internal controls implemented in BME Group, it monitors the measures adopted within the scope of crime risk prevention, regularly informs the Audit Committee regarding the activity carried out, proposing, where necessary, any improvements or specific updates to the controls and procedures of the Crime Prevention System.

The Audit Committee is charged with the supervision of this System and of submitting any proposals to modify the Crime Risk Prevention Manual before the Board of Directors for approval, as well as inform this body of any actions initiated as a result of any breach or non-compliance of a criminal nature.

The Company's Internal Audit Department is responsible for periodically auditing those processes likely to be affected by corruption, bribery or fraud, as well as the risks of fraud that the Board of Directors have identified as a result of the determination of the management and risk control policy currently being drafted.

2.4. Relationships with stakeholders and other relevant sectors

A) Relationships with its Stakeholders *(102-44)*

BME has in place a series of measures for communicating with its stakeholders through which these may be informed of the activities carried out by the Company and through which they may communicate their questions, queries and suggestions.

USERS

Means used by BME to communicate with Users.

- Investor Ombudsman.
- BME Group companies' websites.
- Social Media:
- Telephone hotline and the emails for Business Units.
- Press releases and documents of interest.
- Articles and other publications.
- Training days and forums.
- Technical committees and commissions.
- Collaboration with institutions and associations.
- Visits to company facilities.

Most interesting aspects of BME for Users.

- New services and products.
- Quality certificates for the services provided.
- Efficiency and diversification in the business model.
- Ethics and transparency.
- User protection and privacy.
- User education.

SHAREHOLDERS

Means used by BME to communicate with Shareholders.

- General Shareholders' Meeting.
- Electronic Shareholders Forum.
- Dedicated selection on the corporate website: www.bolsasymercados.es
- Permanent information service for market players and regulators (www.cnmv.es).
- Social Media:
- Shareholders' Office: accionista@grupobme.es.
- Investor Relations: investorRelations@grupobme.es.
- Corporate publications.
- Press room.

Most interesting aspects of BME for Shareholders.

- Economic value generated and distributed.
- Optimisation of cost and investments.
- Fiscal Policy.
- Value creation: Share price trend.
- Shareholder remuneration.
- Shareholder Education Plan.
- Marketing and Communication.

EMPLOYEES

Means used by BME to communicate with Employees.

- Corporate website: www.bolsasymercados.es.
- Social Media:
- BME Intranet and Human Resources online.
- Email.
- Human Resources Query Hotline.
- Internal communiqués.
- Representative Bodies.
- Technical Committees deriving from the Collective Agreement.
- General Shareholders' Meeting.
- Corporate Publications (ACTIVO Magazines, Newsletters)

Most interesting aspects of BME for Employees.

- Work/life balance.
- Diversity and equal opportunities.
- Social benefits.
- Training.
- Career advancement.
- Salary policy and employment conditions.

SOCIETY

Means used by BME to communicate with Society.

- Participation in national and international institutions.
- Financial Education Day.
- Partnerships with universities and academic associations.
- BME Digital Editions and sponsorship of publications.
- Educational and informative activity.
- Support for SMEs and start-ups.
- Corporative website: www.bolsasymercados.es.
- Guided visits of company facilities.
- Involvement in cultural foundations and organisations.

Most interesting aspects of BME for Society.

- Financial training.
- Promoted financial sponsorship and awards.
- Financial informative activity.
- Cultural and social activities.
- Environmental and greenhouse gas emissions policy.

SUPPLIERS

Means used by BME to communicate with Suppliers.

- Corporate website: www.bolsasymercados.es.
- Complaint and enquiry service.
- Meeting with suppliers.
- Invitations to tender.
- Formal commitment of suppliers.
- Initial suppliers appraisals and quotations.
- Order evaluations.

Most interesting aspects of BME for Suppliers.

- Average suppliers payment period.
- Volume of procurements.
- Suppliers accreditation, assessment and monitoring process and orders.
- Quality standards of goods and services required by BME.

B) Relationships with Public Administrations and other relevant sectors

(103: Public policy, 201-4, 415-1)

In view of the importance of the functions performed by BME in ensuring the smooth running of financial markets and, by extension, the Spanish economy, the company must maintain a smooth relationship with public bodies through official channels, predicated on strict adherence to applicable regulations, and with the domestic and international media.

BME does not contribute to any political parties or organisations, allowing BME's management to remain independent in its relationships with local, regional and national government bodies.

BME did not receive any financial aid from the government or public authorities in general in 2018. Notwithstanding the foregoing, BME is adhered to the system that the State Foundation for On-the Job Training makes available to all companies and which consists of financial aid, which is made effective by way of Social Security contribution credits.

	2016	2017	2018
Monetary value of financial aid deriving from the State Foundation for On-the-job Training system	64,372 €	59,241 €	82,431 €

2.5. Corporate governance and risk management

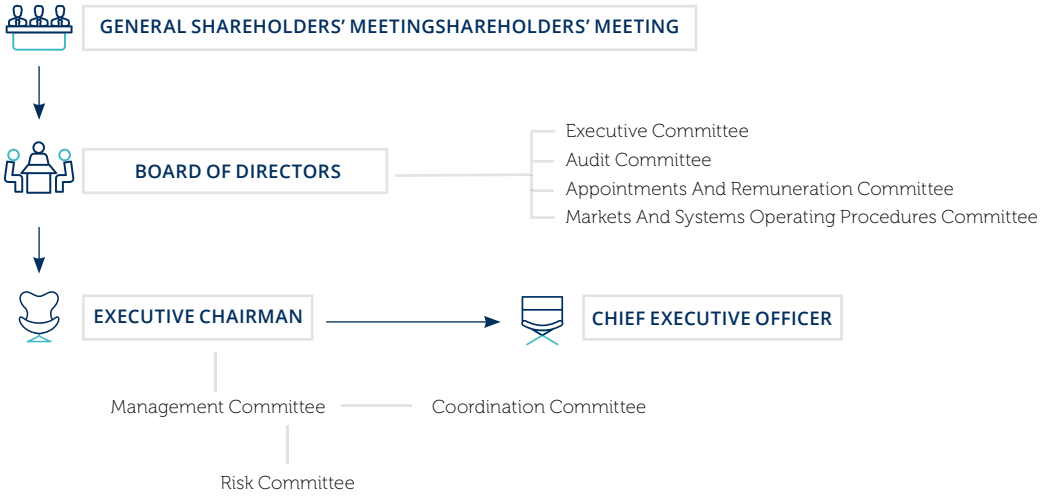
A) Corporate Governance *(102-6, 102-18, 102-22, 405-1)*

BME's corporate governance structure conforms to the highest standards of the market. Its guiding principles are transparency, shareholder participation and the independence of the external auditor.

In this regard, BME's Board of Directors has approved its Corporate Governance Policy, which is available on the corporate website www.bolsasymercados.es together with the other Corporate Policies (such as the Directors' remuneration policy), and which details the principles and aspects that govern the actions of the Company and its Group in this area, as well as the commitments undertaken for the continuous improvement and review of the corporate governance rules of the Company and its Group.

BME's internal regulations are available under the "Shareholders and Investors" section of the corporate website: www.bolsasymercados.es.

CORPORATE GOVERNANCE BODIES



As at 31 December 2018, the **Board of Directors**, the most senior governing and administrative body of the Company and responsible for approving the Corporate Social Responsibility Policy, was made up of 11 members of recognised capacity, integrity and independence and its composition complied with the recommendations of the Good Governance Code for listed companies, with 8 external directors (2 proprietary and 6 independent) and only 3 executive directors.

COMPOSITION OF THE BOARD OF DIRECTORS AS

AT 31 DECEMBER 2018

Directors	Position on the Board	Character	Length of service on the Board	Committee			
				Executive Committee	Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Precedures Committee
Mr. Antonio J. Zoido Martínez	Chairman	Executive	15.02.2002	Chairman	-	-	-
Mr. Javier Hernani Burzako	Chief Executive Officer	Executive	27.04.2017	-	-	-	-
Mr. Ignacio Garralda Ruiz de Velasco	First Deputy Chairman	External independent	27.02.2014	Member	-	Member	-
Mr. David María Jiménez-Blanco Carrillo de Albornoz	Second Deputy Chairman	External independent	26.04.2018	Member	-	Chairman	-
Mrs. Maria Helena dos Santos Fernandes de Santana	Director	External independent	28.04.2016	-	-	-	-
Mrs. Ana Isabel Fernández Álvarez	Director	External independent	26.04.2018	Member	Chairman	-	-
Mr. Joan Hortalá i Arau	Director	Executive	15.02.2002	-	-	-	Chairman
Mr. Juan March Juan	Director	External propietary	30.10.2014	-	Member	-	Member
Mrs. Isabel Martín Castella	Director	Externa independiente	26.04.2018	-	Member	-	-
Mr. Santos Martínez-Conde y Gutiérrez-Barquín	Director	External propietary	30.10.2014	Member	-	Member	-
Mr. Juan Carlos Ureta Domingo	Director	External independent	26.04.2018	-	-	Member	Member

Secretary of the Board and of the Committees: Luis María Cazorla Prieto.
Deputy Secretary of the Board and of the Committee: Cristina Bajo Martínez.
Legal advisor: Jaime Aguilar Fernández-Hontoria.

NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS BY AGE

	2018
< 30	0
30 - 50	1
> 50	10

The Directors classified as internal proprietary directors represent the only legal entity shareholder with a significant share of the share capital, whereas the presence of directors classified as external independent directors on the Board guarantees the protection of the interests of the minor shareholders.

The professional backgrounds of the members of the Board of Directors, which are available on the corporate website www.bolsasymercados.es, detail the posts held and activities performed in the companies of BME Group and other companies outside of the Group.

The Executive Committee, as per the Board of Directors' Regulations, is responsible for supervising the application of the principles and guidelines concerning the Company's corporate social responsibility and the monitoring of the corporate social responsibility strategy and practices. *(102-6, 102-18, 102-23)*

All the information on corporate governance is available under the "Shareholders and Investors" section of the corporate website. In particular, the information relating to the powers of the Board of Directors, the roles allocated to the Company's chief executives, the appointment, re-election, evaluation and removal procedures of Directors, the management of conflicts of interest, the measures adopted to guarantee there is a sufficient number of women Directors on the Board to ensure the balance between genders, the evaluation processes of the performance of the Executive Chairman, Chief Executive Officer and the Board of Directors and its Committees is detailed in the Annual Corporate Governance Report and Report on the Activities of the Board of Directors for 2018.

BME's Structure *(102-19, 102-20)*

As established in the company's Articles of Association and Board of Directors' Regulations, the Board of Directors has entrusted the running of its ordinary business to its delegate bodies, the Board's executive members and the senior management team, and it falls to the Board of Directors to foster, direct and supervise those issues of special importance for the Company.

Accordingly, the Company has an **Executive Chairman**, the most senior executive and hierarchical superior, and a **Chief Executive Officer**, entrusted with managing the ordinary course of the Company's business with maximum executive functions, and who shall directly inform the Board of Directors and its Chairman regarding the performance of the Company.

BME's senior management forms the **Management Committee**, which is the body that directly supervises the management of the Business Units and Corporate Areas, ensuring a coordinated action between them, as well as that between the Company and the Group's companies

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MANAGEMENT COMMITTEE (*)

Mr. Antonio Zoido Martínez (Chairman)
Mr. Javier Hernani Burzako (Chief Executive Officer)
Mr. Jorge Yzaguirre Scharfhausen (Head of Markets and Fixed-Income, Equities and Derivatives Units)
Mr. Jesús Benito Naveira (Head of the Settlement and Registration Business Unit)
Mr. Ramón Adarraga Morales (Head of the Information and Added Value Services Business Unit)
Mrs. Marta Bartolomé Yllera (Financial Director)
Mr. Francisco Nicolás Tahoces (Technology Director)
Mr. Pablo Malumbres Muguerza (Corporate Communication Director)
Mr. Jaime Aguilar Fernández-Hontoria (Legal Services Director)

(*) Ignacio Solloa Mendoza and Luis García Berral, Head of the Clearing Business Unit and Director of Human Resources, respectively, may also assist the meetings of the Management Committee.

NUMBER OF MEMBERS OF THE MANAGEMENT COMMITTEE BY AGE

	2018
< 30	0
30 - 50	2
> 50	7

In the performance of their duties, the Management Committee shall have the support of the **Coordination Committee**, formed by members of the Management Committee and any other directors that the Chief Executive Officer should appoint. The Coordination Committee is responsible for the supervision and monitoring of the results of the Business Units, the projects that are being developed in the Group and the Groups' Strategic Plan.

Given the group's corporate structure, the coordinated management of its activities is based on a structure of six Business Units and seven Corporate Areas providing support functions to all business units. *(102-19, 102-20)*

BUSINESS UNITS

	Head
Fixed Income: Trading of private fixed-income and government debt securities as well as listing and maintenance services for issuers on the private fixed-income market.	Mr. Jorge Yzaguirre Scharfhausen
Equities: : Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) and floors as well as listing and maintenance services for issuers on the equity markets.	
Derivatives: Trading of derivatives by electronic means.	
Clearing: Clearing and central counterparty activities for equities, financial derivatives, government debt repos, interest rate derivatives and electricity and gas derivatives.	Mr. Ignacio Solloa Mendoza
Settlement and registration: Registration and settlement of equity, private fixed income and government debt trades.	Mr. Jesús Benito Naveira
Information and Added Value Services: Primary information, index licences and other, technological, financial and consultancy innovation services, global access and algorithmic trading services and regulatory compliance services.	Mr. Ramón Adarraga Morales

CORPORATE AREAS

	Head
General Secretariat	Mr. Luis María Cazorla Prieto
Legal Services	Mr. Jaime Aguilar Fernández-Hontoria
Corporate Communications	Mr. Pablo Malumbres Muguerza
International Coordination	Mr. Ramón Adarraga Morales
Financial	Mrs. Marta Bartolomé Yllera
Human Resources	Mr. Luis García Berral
Technology	Mr. Francisco Nicolás Tahoces

Remuneration of the Board of Directors and Senior Management of BME *(102-35, 102-36, 102-38, 102-39)*

BME's Directors' Remuneration Policy, which is approved by the General Shareholders' Meeting, is transparent, reasonably proportional to the importance of the Company, its financial situation and the market standards of comparable companies and is compatible and in line with the business strategy, values and long-term interests of the Company and of its shareholders and is such that it promotes the long-term profitability and sustainability of BME. For Executive Directors, it shows a balanced and efficient relationship between fixed and variable components, with an appropriate proportion of variable components linked to the delivery of medium- and long-term objectives, and the deferred delivery of Company shares.

The information relating to the remuneration policies of the Directors, their remuneration process and the consideration of stakeholders with regard to these remunerations is detailed in the Annual Report on Directors' Remuneration for 2018, available on the corporate website.

BME Group's Remuneration Policy, which was proposed by the Appointments and Remuneration Committee and approved by the Board of Directors during its meeting of 29 November 2017, is applicable to all persons with an employment relationship with BME or any of the companies forming the Group and those persons who, as a result of their status as members of the governing bodies of the subsidiaries with executive powers, have had their employment relationship suspended with any of the companies of the Group.

The information on the remuneration of BME's senior management, including variable remuneration, attendance fees, compensation, the payment of contributions to long-term savings schemes and any other concept, is detailed in the Annual Corporate Governance Report available on the corporate website.

AVERAGE GROSS REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF BME BY GENDER [1]

(THOUSANDS OF EUROS)

	2017	2018
Directors [2]	**194**	**174**
Women	59	51
Men [3]	219 [4]	219
Senior Management [5] [6]	**371**	**372**

(1) The average remuneration of the Directors and senior management of BME contained in this table include all remunerative concepts received by the Directors and senior management in their roles as such (including variable remuneration, attendance fees, compensation, the payment of contributions to long-term savings schemes and any other concept) the amounts of which are detailed in the annual reports on Directors' Remuneration and Corporate Governance for 2017 and 2018.

(2) During 2017, the following changes to the composition of the Board of Directors took place: (i) Ramiro Mato García-Ansorena stood down as Director and Member of the Audit Committee on 27 September 2017, (ii) Javier Hernani Burzako was appointed Director on 27 April 2017, and (iii) Juan March Juan was appointed Member of the Audit Committee on 27 September 2017. In 2018, the following changes to the composition of the Board of Directors took place: (i) Manuel Olivencia Ruiz passed away on 1 January 2018, (ii) Margarita Prat Rodrigo stood down as Director, Member and Chairperson of the Audit Committee and Member of the Executive Committee on 26 April 2018, (iii) Álvaro Cuervo García was appointed Chairperson of the Appointments and Remuneration Committee on 15 January 2018. On 26 April 2018 he stood down as Director, Chairperson of the Appointments and Remuneration Committee and Member of the Audit Committee and of the Executive Committee, (iv) Carlos Fernández González stood down as Director and Member of the Appointments and Remuneration Committee on 26 April 2018, (v) Karel Lanno stood down as Director and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018, (vi) Ana Isabel Fernández Álvarez was appointed Director, Member and Chairperson of the Audit Committee and Member of the Executive Committee on 26 April 2018, (vii) David María Jiménez-Blanco Carrillo de Albornoz was appointed Director, Member and Chairperson of the Appointments and Remuneration Committee and Member of the Executive Committee on 26 April 2018, (viii) Isabel Martín Castellá was appointed Director and Member of the Audit Committee on 26 April 2018, and (ix) Juan Carlos Ureta Domingo was appointed Director and Member of the Appointments and Remuneration Committee and of the Markets and Systems Operating Procedures Committee on 26 April 2018)

AVERAGE GROSS REMUNERATION OF THE DIRECTORS OF THE COMPANIES OF THE GROUP WHOSE POSITIONS ARE REMUNERATED [1]

(THOUSANDS OF EUROS)

	2017	2018
Directors	**15**	**18**
Women	11	16
Men	16	18

(3) The average variable remuneration of Antonio J. Zoido Martínez includes the remuneration as Chairman of the Board of Directors and CEO of the Company.

(4) This includes remuneration received by Javier Hernani Burzako following his appointment as CEO on 27 April 2017.

(5) The figure for the average remuneration of senior management is recorded without detailing its amount by gender, given that as this section comprises only one woman, this disaggregated information could be in breach of the legislation on the protection of personal data.

(6) For the calculation of the average remuneration of senior management, the number of days that senior management has worked for the company during the fiscal year, the daily remuneration received during said period and the number of members of senior management at year end have been taken into account.

(7) The average remunerations of the Directors of the Group companies whose positions are remunerated include per-diems received by the Directors of the Governing Company of the Madrid Stock Exchange S.A.U., the Governing Company of the Barcelona Stock Exchange S.A.U., the Governing Company of the Bilbao Stock Exchange S.A.U., the Governing Company of the Valencia stock exchange S.A.U., Sociedad de Bolsas S.A., MEFF Sociedad Rectora del Mercado de Productos Derivados., Bolsas y Mercados Españoles Renta Fija S.A.U., Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U. and BME Clearing S.A.U. for attending the meetings of their Boards of Directors and delegated commissions, the only type of compensation received by the Directors of these companies in their condition as such.

Independence of the external auditor

Irrespective of the maximum time limits for contracting auditors set down in audit regulations, BME has considered and continues to consider the number of consecutive years in which the external audit firm has audited the annual financial statements of the Company and its Group, in order to foster the independence of the auditors so as to increase transparency in the Company. Accordingly, an annual report is approved regarding the independence of the external auditor of BME and its consolidated Group and the annual corporate governance report, available on the corporate website, which details the fees received by the external auditor and its associated companies from BME and its consolidated Group for auditing work and services additional to those of auditing accounts, such as the independent review of this non-financial information statement.

B) Risk management *(102-29, 102-30)*

The risks associated with the activities of BME Group companies are managed with criteria which enable the Company to combine the achievement of its aims of maximising its value, profitability and efficiency, with other legitimate interests, both public and private, in a way that allows the best development and functioning of those markets and systems operated by BME Group companies.

BME's risk management is based on two main pillars: good corporate governance and a rigorous internal control system.

As a result of the corporate governance structure mentioned in the above section, the management of the risks deriving from the various activities that BME carries out are initially channelled through the specific systems of identification, measurement, assessment and management that each Business Unit and Corporate Area has available in relation to the risks that may be incurred.

The Continuity and Risk Committee which reports to and works with the Management Committee in the formalisation of a risk control and management policy, which is currently in the development phase, is also responsible for the creation of the corporate Risk Map and the implementation and monitoring of the risk assessment model defined and adopted by the Management Committee, as well as the competences relating to the preparation, application and maintenance of a Business Continuity Policy and the approval and supervision of the application of the Business Continuity Plan.

In the preparation and maintenance of the Global Risk Map risks are prioritised according to their importance and matrices are produced that include the operating processes that manage such risks.

BME has put in place an Integrated Risk Management System (IRMS), based on the methodological framework set out in the COSO II report. This ensures that any significant risks that could affect the Group's objectives and activities are identified, evaluated and controlled, and which permits the integration of different risk management systems already existing in the Company, among which are: the Internal Control over Financial Reporting System (ICFRS), the Criminal Risk Prevention System (CRPS) and the Information Security Management System (ISMS). This integration exercise enables the optimisation, at an organisational level, of all risk management efforts and also establishes a formal and coordinated risk information channel from the base of the different corporate Areas and Business Units to the Board of Directors.

Having evaluated the relevant risks, BME Management must define how to respond to them, for which it must take into account both their effect on the risk probability and impact, as well as the costs and benefits.

Although BME's IRMS affects and involves all Company personnel, the main participants in the risk management model, in addition to the Management Committee, are the following:

- The **Board of Directors**, as the Company's most senior governing and administrative body, is responsible for defining the control and management policy for risks, including tax risks, and annually monitors internal information-management and control systems, to ensure that the main risks are adequately identified, managed and made known.
- The **Audit Committee**, which reports to the Board of Directors, monitors the effectiveness of the Company's internal control and risk-control systems, including tax risks, the Company's internal and external audit services, and the Group's regulatory compliance function.
- The **Crime Prevention Committee**, reporting to the Audit Committee, is responsible for the implementation, development of and compliance with BME Group's crime risk prevention system (CRPS).
- The **Continuance and Risk Committee** is the body reporting to the Management Committee, responsible for the monitoring and analysis of risks deriving from the activities carried out by the companies of the Group and for maintaining the Board of Directors informed, through the Audit Committee, of the actions performed in the implementation of the risk control and management policy and the preparation, application and maintenance of the Business Continuity Policy and the approval and supervision of the application of the Business Continuity Policy.
- The **Security Committee** is the body responsible for defining and applying BME Group's Security Policy, which includes information, IT, and physical security.
- The **IT Security Team** is responsible for implementing, operating and maintaining the Information Security Management System (ISMS), in accordance with the Security Committee's guidelines.

  In 2018 a security operations group was created to provide technical support to information security tasks and which comprises an administration group that manages the information security systems and an intelligence group responsible for detecting intrusions and analysing the incidents and cyberattacks.
- The **Internal Audit Department** is charged with providing senior management and the Board, through the Audit Committee to which this department reports, with information that enables them to fulfil the company's objectives, including the assessment and evaluation of the efficiency of the risk assessment tasks carried out. Its remit is therefore aimed at evaluating and improving the efficiency of the risk management processes, control and governance, by identifying key risks and controls.
- The **Regulatory Compliance Department**, a body independent to the Company's executive officers with the aim of ensuring compliance with the regulations applicable to the activities carried out by BME and its Group companies and which reports to the Audit Committee.
- The **heads of the Business Units and Corporate Areas** are the ultimate owners of the risks arising therefrom.
- The **employee responsible for the risk** is the owner of the risk for each Business Unit or Corporate Area appointed by their respective heads.

The main risks associated with BME's activities are detailed in sections E and F of BME's Annual Corporate Governance Report for 2018, included in a separate section in the management report and is available on the Company's corporate web site. In particular, BME explains how to manage and mitigate the risks identified in section E.6 of the aforementioned report, in which it describes the response and supervision plans for the Company's main risks.

3. BME Shareholders

In accordance with BME's Corporate governance policy, which is publicly available on the corporate website and by following the best corporate governance practices, the Company promotes the responsible, diligent and transparent exercise of the rights and the compliance with, under the same terms, of the duties of the shareholders, who are invited to actively and permanently form part of the company's life.

In this regard, BME provides them with all the resources needed to exercise their voting and profit-sharing rights.

BME 2018 General Shareholders´ Meeting.

3.1. Shareholder profile

In 2018, there were no significant changes to the structure and ownership of BME's share capital.

GENERAL DATA

AT 31 DECEMBER 2018

83,615,558
Total number of shares

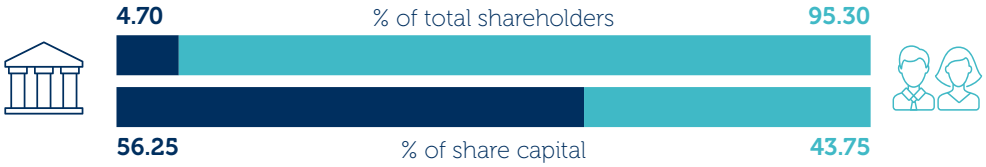
1,478
Avg. number of shares held per shareholder

87.06%
Floating capital

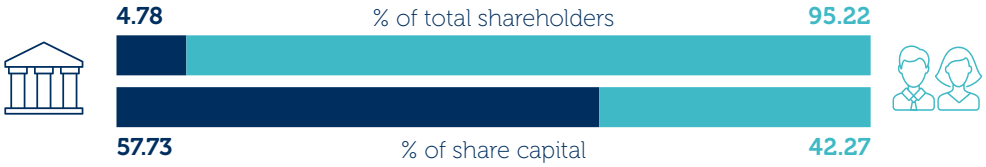
Performance of the last 3 quarters	2016	2017	2018
Total number of shares	83,615,558	83,615,558	83,615,558
Avg. number of shares held per shareholder	1,447	1,493	1,478
Floating capital (%)	84.95	87.28	87.06

BREAKDOWN BY TYPE OF SHAREHOLDER

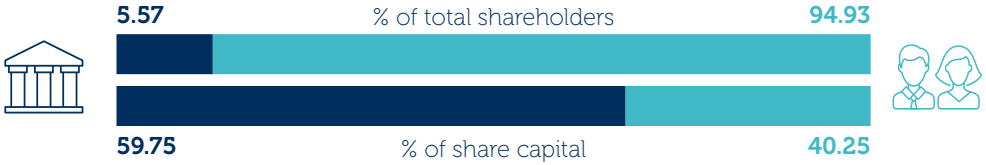
2018



2017

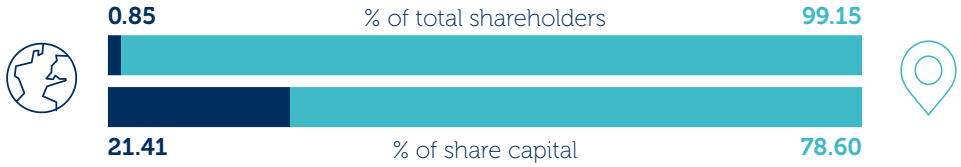


2016

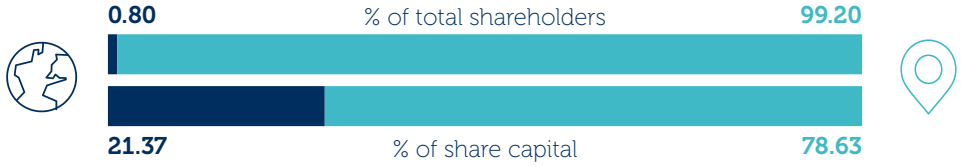


BREAKDOWN BY NATIONALITY

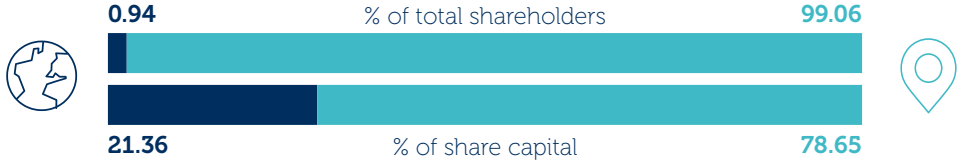
2018



2017



2016



Institutional Shareholders

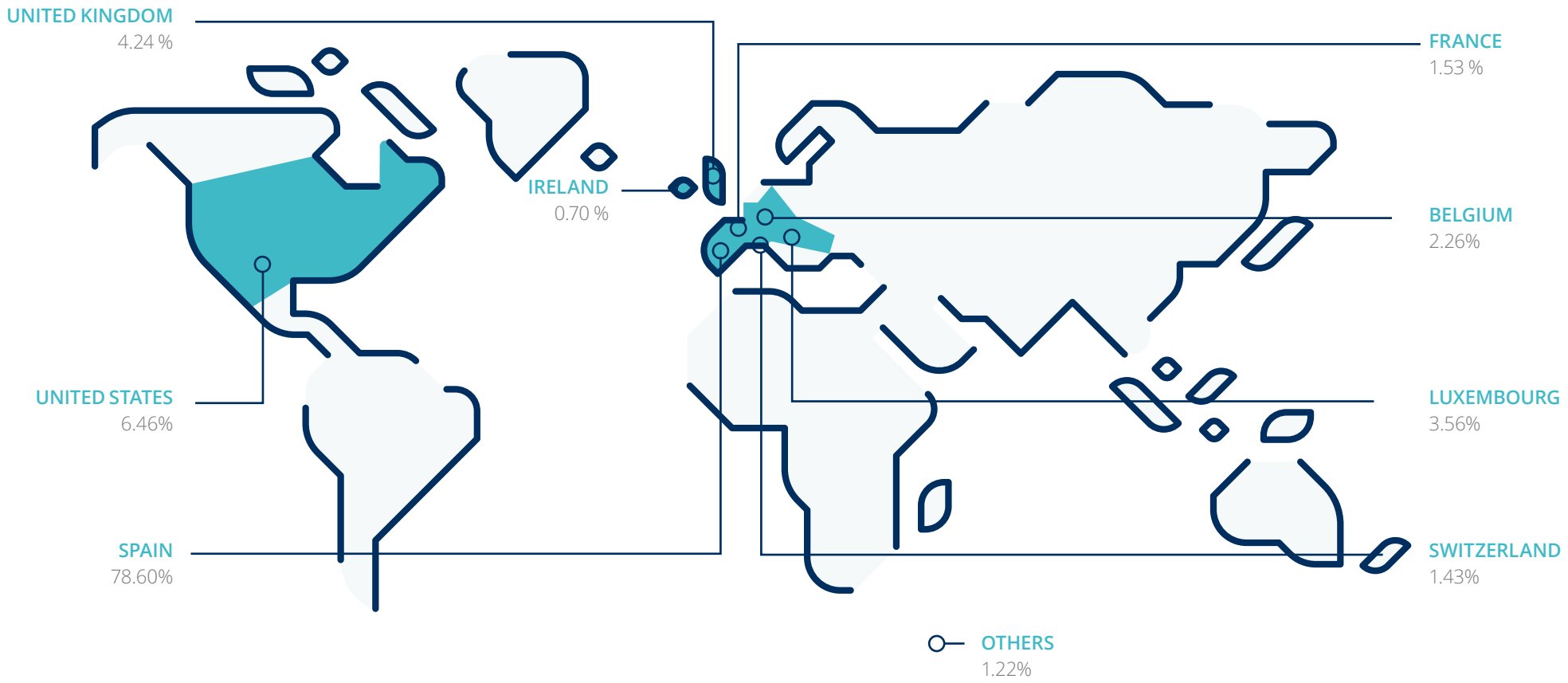
Non-controlling Shareholders

Foreign Shareholders

Spanish Shareholders

BME SHAREHOLDERS DISTRIBUTION BY COUNTRY

AT 31 DECEMBER 2018 (%)



3.2. Policy on communication and contact with shareholders, analysts and institutional investors and proxy advisers

BME has put in place a Policy on communication and contact with shareholders, analysts and institutional investors and proxy advisors which is publicly available on the corporate website. The general principles of this are information transparency and equal access, accuracy, immediacy, equality of treatment and a balanced distribution of information.

Participation in company life

The Company encourages interaction with its shareholders, analysts and institutional investors and proxy advisors so that they may transmit their concerns, suggestions or queries on aspects related to the activities carried out by the BME Group.

To do so, BME has established bidirectional information and communication channels as well as other channels such as the **CNMV website** (www.cnmv.es), the **Corporate website** (www.bolsasymercados.es), **Social media** (Twitter, with the corporate profile @GrupoBME allowing the **General Shareholders' Meeting** to be followed, LinkedIn and Finect, mainly), the General **Shareholders' Meeting**, main source of participation in company life, and the Shareholders' Office, through a dedicated mailbox (accionistas@grupobme.es), telephone numbers and postal address.

BME Investor Day

BME held its first Investor Day 4 October 2018 during which the 2019-2021 Strategic Plan was presented. It aims to diversify revenue, accelerate growth and maintain shareholder returns and whose pillars support a solid management model of the Company, expectations for organic and inorganic growth and the drive from its four business segments: Markets (Equities, Fixed-Income and Derivatives), Clearing, Settlement and Registration, and Market Data and Added Value Services. The Company has identified its main key strengths within the execution framework of this plan.

Solid and highly profitable business model

Long-lasting and firm relationships with main clients

Cutting-edge, efficient and trustworthy technology

Highly qualified personnel

Solid, trustworthy brand

3.3 Value creation *(103: Economic performance)*

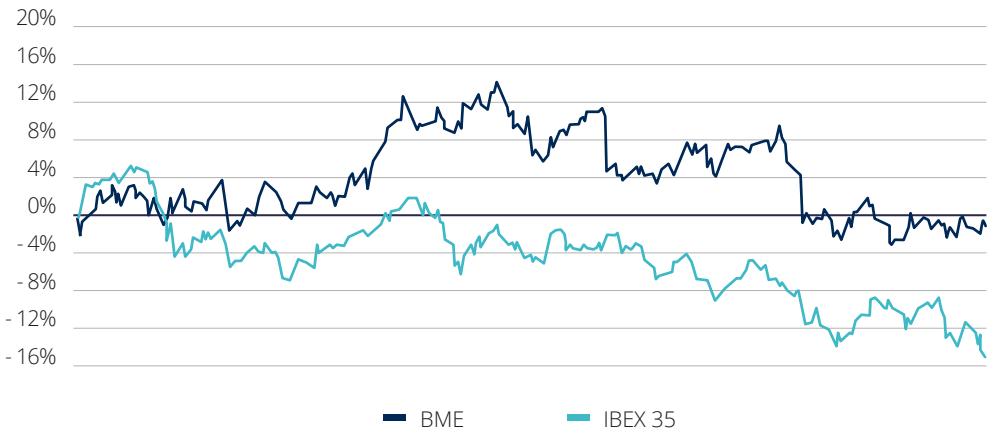
The cornerstones of BME's corporate governance policy include maximising the Company's sustainable, long-term economic value and fostering business continuity.

Share price performance

BME has focused on managing the resources of the Group to optimise and increase the value of the Company during a period that has been complex for the financial markets due to the presence of various destabilising elements in the performance of the stock prices, which has affected the traded share volumes. In this scenario, BME remains committed to its objective of maximising the company's value in order to increase shareholder value.

BME SHARE PRICE PERFORMANCE COMPARED TO THE IBEX 35®

FROM 01/01/2018 TO 31/12/2018



MAIN SHARE PRICE INDICATORS FOR BME 2018

Total number of shares	83,615,558
Nominal value of the share (euros)	3.00 €
At the start of the year	26.55 €
High	30.20 €
Low	23.82 €
At the close of the year	24.32 €
Stock market gain at the close of the year (%)	- 8.39 %

Economic value generated, distributed and retained

(201-1, 103: Economic performance)

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED [1]

(THOUSANDS OF EUROS)

	2016	2017	2018
Economic value generated	**326,585**	**320,906**	**306,937**
Revenue	317,289	315,541	298,587
Other net gains (losses) [2]	9,296	5,365	8,350
Economic value distributed	**319,350**	**309,114**	**309,711**
Operating expenses	36,477	37,924	40,272
Staff costs	69,498	70,439	75,952
Dividends	160,676	149,606	147,897
Income tax and other taxes [3]	51,511	49,927	44,384
Payments to capital suppliers (financial cost)	0	0	0
Payments to public bodies, donations and other investments in the community	1,188	1,218	1,206
Economic value retained (profit not distributed)	**7,235**	**11,792**	**-2,774**
Reserves	-416	3,713	-11,609
Amortisation and depreciation	7,651	8,079	8,835

(1) The balance of net turnover for 2016 to 2018 includes the net turnover after deducting the "variable direct costs of operations", the inclusion of which in the consolidated income statement under Revenue and from which it is then subtracted is imposed by CNMV Circular 5/2016 of 27 July on accounting standards, reserved and public disclosure, and financial statements.

(2) Includes work performed by the company on own assets, other operating revenue, the share of profit (loss) of companies accounted for using the equity method and the net financial result, minus the result attributed to external partners.

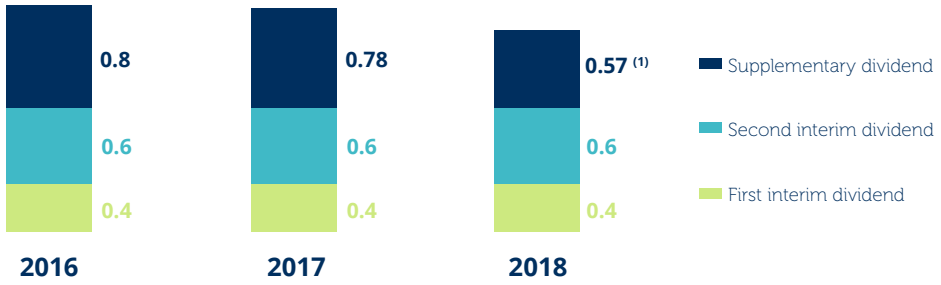
(3) Includes only income tax expense and taxes reported in the year.

3.4. Shareholder remuneration and other benefits

A) Shareholder remuneration through dividends *(103: Economic performance)*

Since 2009, the company's dividend policy consists of shareholders receiving three ordinary dividends (one final dividend and two interim dividends charged against profit), in May, September and December. In this manner, BME continues implementing a policy of maximum shareholder remuneration, with an ordinary Pay-Out of 96%.

ORDINARY DIVIDENDS BY PAY-OUT ACCOUNTING PERIOD



(1) Currently pending approval by the General Shareholders' Meeting, which is expected to be held on 25 April 2019 on second call.

B) Shareholders' Training Plan

BME's shareholder training is one of the pillars of its corporate governance policy, an area in which BME implements, via the Instituto BME, the Shareholders' Training Plan.

The Shareholders' Training Plan involves on-site courses given by highly qualified personnel in each subject at BME's Madrid, Barcelona, Valencia and Bilbao stock exchanges. In 2018, the level of satisfaction of BME shareholders participating in the specific training plan developed by the Company was 4.21 out of 5.

mFIA Annual Meeting.

4. Users

4.1. User profile *(419-1)*

The BME Group currently integrates systems for registering, clearing and settling securities, central counterparty entities, secondary securities markets and Spanish multilateral trading systems, and carries out a range of complementary and auxiliary services spanning, among other areas, information, consulting, IT, contingency services, business continuity and training.

BME's users or clients are therefore mostly entities supervised by the CNMV: the markets and trading systems managed by BME do not provide their services directly to individual investors, except through their auxiliary services.

BME has not received any significant fines or firm sanctions due to non-compliance with the regulations relating to the supply and use of products and services deriving from its operations. Notwithstanding the foregoing, in 2018 the Chamber for Contentious Administrative Proceedings confirmed the disciplinary penalty of 150,000 euros imposed by the Sub-secretary for Economy, Industry and Competitiveness against the entity of the BME Group, BME Sistemas de Negociación for non-compliance with its supervisory duties of the MAB in relation to the Spanish entity Let's Gowex S.A. BME Sistemas de Negociación has filed an appeal for reversal against this Sentence, which is pending admission as at the date of approval of this report.

Quality certificates for the services provided

In 2018, BME Inntech and Instituto BME, both BME Group companies, retained the international quality stamp. BME Inntech holds UNE-EN ISO 9001:2015 quality certificates issued by AENOR guaranteeing the quality of the service relating to Contingency, Business continuity, physical and virtual hosting of clients' equipment, as well as its management and data applications, technical management and maintenance of IT platforms specialising in the finance sector, the provision of a financial messaging exchange service for banks and companies, consultancy and training regarding international financial markets.

Instituto BME holds the UNE-EN ISO 9001:2015 quality certificate issued by AENOR guaranteeing the quality of the services for the design and provision of training in the operation of financial markets that this company provides, as well as how it has become once again recognised for its quality and prestige at having been selected by the CFA Society Spain as an approved supplier for the CAd (Certified Advisor) certification, a seal that has allowed it to perform consultation tasks and provide financial information in Spain since 3 January 2017.

New BME projects in 2018 *(103 Indirect economic impacts)*

In 2018, BME continued to develop products and services that meet the demands of market clients and users and the requirements of companies and financial market participants.

New services

On 14 February, BME Inntech, the BME technology subsidiary, and Nuance Communications announced a strategic agreement to integrate its voice biometric authentication technology into the signature of contracts and processes with the aim of reducing management time and improve the satisfaction of clients in the financial sector.

On 23 May, BME and the Spanish Institute of Financial Analysts started up "Lighthouse", a fundamental analysis service aimed at the equities market which provides an analysis of the listed securities which are not followed by the financial companies.

On 25 June, the pilot test of the Fast Track Listing project took place. This uses blockchain technology with the aim of simplifying the processes and reducing the times required for registering the issue of warrants, in which BME, the CNMV and a group of financial entities formed by Banco Santander, BBVA, BNP Paribas, CaixaBank, Commerzbank and Société Générale have participated.

In July 2018, BME Clearing signed an agreement with NEX Markets for BME Clearing to provide repo clearing services to participants connected to BrokerTec, with the first transactions carried out on 18 December.

On 16 October Openfinance, the fintech subsidiary of BME, signed a collaboration agreement with Refinitiv which allows financial advisors to access information, technical analyses and pioneering technology in the private banking sector to facilitate their decision-making processes. On 22 November, Openfinance also signed a collaboration agreement with a financial advisory establishment to digitalise the digital advisory processes using the "finline" platform, which allows any investor to contract and receive the advisory service online.

Since 29 November, REGIS-TR has been working together with Market FinReg to provide comprehensive training on the Securities Financing Transactions Regulation, which is delivered through online and face to face classes.

On 10 December, REGIS-TR initiated the processes for the establishment of a Trade Repository in the United Kingdom to satisfy the needs of BME clients in this country and ensure an orderly transition after Brexit.

On 17 December IBERCLEAR started up the Cross Border Services which allows the participating financial entities to register and settle international securities through IBERCLEAR, which will act as the single point of access to Target2-Securities and the international markets and request custody services, grouped into three blocks: Management of Corporate Actions, Proxy Voting and Tax Reclaims.

Turning to the international scene, on 9 April, the Caracas Stock Exchange started up a new version of the Smart-Sibe trading platform, developed by BME, which manages the trading of fixed-income and equity instruments in real time.

On 26 July, BME and the Bolsa Mexicana de Valores announced the creation of a joint initiative to promote the Market Data business in Latin America with the aim of promoting the generation, distribution and sale of information on the Latin American securities markets. This has resulted in the incorporation of the Sociedad Latam Exchange Data Inc, in which BME Market Data holds a 51% stake in its share capital.

On 17 September the Colombian Stock Exchange launched Phase I of the Inet + Master Trader project making it available to the Colombian securities market, through which the Colombian fixed-income market has both a new trading system and technological platform for the trading and management of orders by BME Inntech.

New products

On 24 May, BME Clearing increased its range of products by offering natural gas contracts which are included in energy segment of this clearing house, therefore current participants in the segment will be able to easily register their products.

Lastly, on 21 September BME began disseminating the volatility indices and strategies with IBEX 35® options that it created in October 2017 and which allows the implied volatility of the market to be measured and shows the performance of certain investment strategies through products traded in the MEFF.

2018 Latibex Forum Opening Ceremony.

4.2. User protection and privacy

(103: Customer health and safety, 416-1, 416-2)

As the management body for Spanish financial markets and systems, BME is responsible for settlement participants in the markets and retail investors. Even though they are not direct clients, BME considers its position enables it to help them exercise their rights.

In BME's dealings with retail investors, of particular note are the services provided by the Investor Ombudsmen, set up and maintained by the stock exchange governing companies of Madrid, Barcelona and Valencia to aid and protect investors. The Investor Ombudsman handles queries and claims, attempts to prevent complaints and challenges being filed regarding transactions carried out on the stock exchange, and endeavours to provide conditions to clarify facts and concerns posed by investors and intermediates between parties. When litigious claims are lodged, the Investor Ombudsman ascertains the details thereof and, if the individuals fail to reach an agreement with the stock market members, issues a non-binding final report resolving the claim.

With the aim of guaranteeing and protecting the rights of natural persons in respect of the processing of their personal data, BME Group companies are responsible for the data of their employees, contacts and clients. To such effect, BME complies with the legislation in force regarding Personal Data Protection and has a procedure in place to exercise the rights of access, rectification, cancellation and opposition. The compliance with the legislation concerning data protection and the management of the procedures deriving from its compliance are carried out by the Regulatory Compliance Department. The person responsible is the "Data Protection Officer" (DPO) the legal form of which is governed by the General Regulations on Data Protection. BME Group performs regular controls and external audits in order to guarantee the compliance with the obligations deriving from the legislation on the protection of personal data. In 2018 there were no complaints regarding breaches of privacy or losses of employee, contact or client data of BME Group companies.

4.3. User education

As the manager of Spain's financial markets and systems, BME endeavours to actively participate in fostering the culture of finance in Spain. In this regard, it subscribes to the Organisation for Economic Co-operation and Development's Recommendation on Principles and Good Practices for Financial Education and Awareness.

Given its significant role in the financial markets, BME regards publicising and raising awareness of financial matters in the most accessible and comprehensive manner possible as another function of its business activity, as well as being an important channel for end clients and brokers in the markets to express their concerns, interests, demands and fears.

The importance BME attaches to education is reflected in Instituto BME, the sole activity of which is to organise educational services related to financial markets in general and issues directly related to products for BME's market and systems, through its educational programmes providing guidance and training in environmental, social and corporate governance matters. This educational activity is complemented by the action performed by the other companies of the Group.

In 2018, the training activities carried out by Instituto BME, which are available on its website www.institutobme.es, have been evaluated through questionnaires revealing a high level of satisfaction scoring above the 8.48 out of 10 that Instituto BME considers the minimum score. In those cases in which an educational activity receives a score below 5.7, a non-compliance report is initiated, which analyses the reasons for this evaluation and the corrective or preventative actions to be adopted to avoid a reoccurrence.

Instituto BME aids in the preparation for the MFIA Certification exam, the benchmark accreditation of technical excellence in the knowledge of financial products and markets, issued by this BME Group company since 2015 and included on the CNMV's list of certificates and qualifications that comply with the guidelines set out in the Technical Guidelines 4/2017 for the evaluation of the knowledge and skills of personnel providing information and assessment services in accordance with that established by the MiFID II.

BME is commited with the Financial Education Day.

5. Human Capital

BME
BOLSAS Y MERCADOS ESPAÑOLES

The BME Group Human Resources Area which works to ensure the professional and personal development of its employees by constantly improving the services and activities offered to them, their training and professional development programmes, and the technical tools available to streamline any procedures, consultations or requests they may have, acts according to the following principles:

i. the professional development of persons in a motivating work environment which ensures and respects the responsible contribution of each one of its employees

ii. identifying and attracting the best professionals to perform the different activities of BME while ensuring the principles of equality and non-discrimination;

iii. retaining talent by promoting training, programmes and tools for all employees to improve their skills and abilities

iv. the internal recognition of the culture of effort, identifying specific objectives and granting the necessary autonomy in order to attain them within a framework that recognises the goals achieved, and

v. the promotion of project-based work of a transversal nature involving different areas for their completion.

The Director of Human Resources oversees this area and coordinates and supervises, among other aspects, compliance with the legislation relating to employment matters, occupational health and safety of BME, as well as the company-wide training plans prepared by the Training Manager. (103: Employment). In respect of the foregoing, BME did not receive any significant fines or sanctions relating to the non-compliance of employment or social matters. *(103: Socioeconomic compliance, 419-1)*

5.1. Employee profile *(102-8, 401-1, 405-1)*

EMPLOYEES BY GENDER

AT 31 DECEMBER 2018


770
Headcount in 2018

Performance of the last 3 quarters	2016	2017	2018
Women	286	280	289
Men	476	475	481
Total	**762**	**755**	**770**

BME employees at the Companies Race.

EMPLOYEES BY GEOGRAPHIC AREA AND GENDER

AT 31 DECEMBER 2018

248 employees (2018)

390 employees (2018)

26 employees (2018)

61 employees (2018)

10 employees (2018)

20 employees (2018)

5 employees (2018)

10 employees (2018)

Performance of the last 3 quarters

	2016	2017	2018
Madrid	**614**	**610**	**638**
Women	240	238	248
Men	374	376	390
Barcelona	**95**	**94**	**87**
Women	28	28	26
Men	67	66	61

	2016	2017	2018
Bilbao	**32**	**31**	**30**
Women	10	10	10
Men	22	21	20
Valencia	**21**	**20**	**15**
Women	8	8	5
Men	13	12	10

EMPLOYEES BY GENDER, AGE AND PROFESSIONAL CATEGORY

AT 31 DECEMBER 2018

SENIOR MANAGEMENT

1
8
9 employees (2018)

MIDDLE MANAGEMENT

18
38
56 employees (2018)

SPECIALIST TECHNICIANS

174
272
446 employees (2018)

ADMINISTRATIVE / AUXILIARY / SUPPORT STAFF

96
163
259 employees (2018)

<30

39
55
94 employees (2018)

30-50

166
248
414 employees (2018)

>50

84
178
262 employees (2018)

Performance of the last 3 quarters	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior management	7	0	**7**	8	1	**9**	8	1	**9**
Middle management	41	18	**59**	38	16	**54**	38	18	**56**
Specialist technicians	297	176	**473**	295	180	**475**	272	174	**446**
Administrative / Auxiliary / Support Staff	131	92	**223**	134	83	**217**	163	96	**259**
<30	41	31	**72**	44	27	**71**	55	39	**94**
30-50	238	172	**410**	237	164	**401**	248	166	**414**
>50	197	83	**280**	194	89	**283**	178	84	**262**

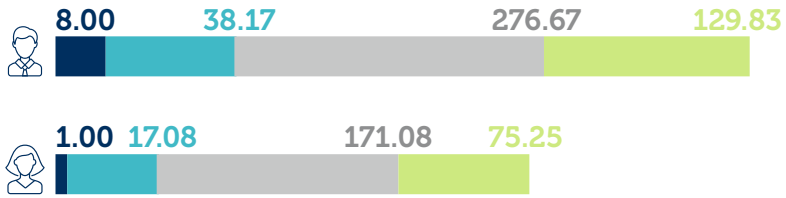
NUMBER OF EMPLOYEES BY CONTRACT TYPE [1] [2]

BME GROUP

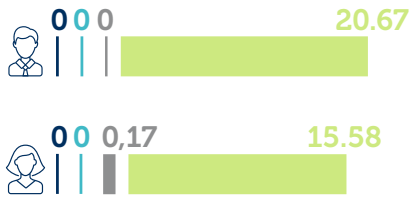
2018

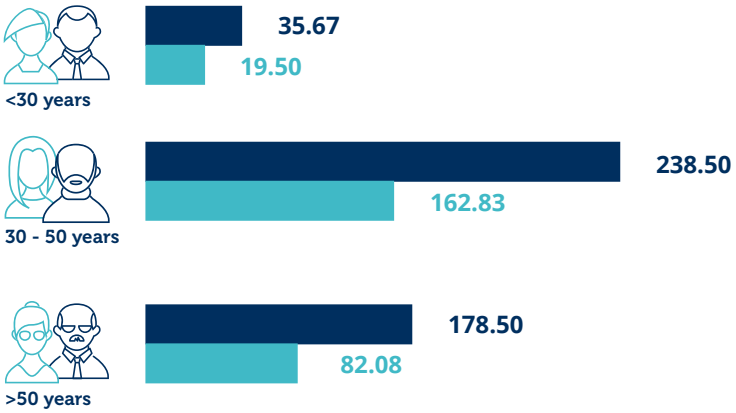
Senior management | Middle management | Specialist technicians | Administrative / Auxiliary / Support Staff

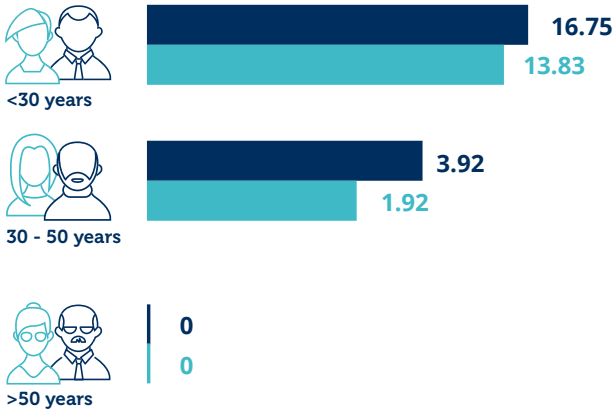
Annual average of **permanent contracts** by gender, age and professional category.



Annual average of **temporary permanent contracts** by gender, age and professional category.







Performance of the last 3 quarters	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Annual average of permanent contracts by gender, age and professional category.									
Senior management	7.17	0.00	**7.17**	7.00	0.67	**7.67**	8.00	1.00	**9.00**
Middle management	42.42	19.00	**61.42**	39.25	16.50	**55.75**	38.17	17.08	**55.25**
Specialist technicians	291.08	165.33	**456.41**	289.75	175.08	**464.83**	276.67	171.08	**447.75**
Administrative / Auxiliary / Support Staff	116.33	89.92	**206.25**	114.83	73.58	**188.42**	129.83	75.25	**205.08**
<30	24.17	14.67	**38.84**	28.67	13.92	**42.58**	35.67	19.50	**55.17**
30-50	239.75	178.00	**417.75**	233.25	166.50	**399.75**	238.50	162.83	**401.33**
>50	193.08	81.58	**274.66**	188.92	85.42	**274.33**	178.50	82.08	**260.58**
Annual average of temporary permanent contracts by gender, age and professional category.									
Senior management	0.00	0.00	**0.00**	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Middle management	0.00	0.00	**0.00**	0.00	0.00	**0.00**	0.00	0.00	**0.00**
Specialist technicians	0.08	1.00	**1.08**	0.00	1.30	**1.30**	0.00	0.17	**0.17**
Administrative / Auxiliary / Support Staff	11.67	13.17	**24.84**	15.92	15.58	**31.50**	20.67	15.58	**36.25**
<30	11.08	13.17	**24.25**	12.92	14.75	**27.67**	16.75	13.83	**30.58**
30-50	0.67	1.00	**1.67**	3.00	1.92	**4.92**	3.92	1.92	**5.83**
>50	0.00	0.00	**0.00**	0.00	0.00	**0.00**	0.00	0.00	**0.00**

(1) The annual average of both permanent and temporary contracts has been calculated as the average of the permanent/temporary contracts for each over the course of the year.
(2) In 2016, 2017 and 2018 there were no employees with part-time contracts.

EMPLOYEES BY CONTRACT TYPE AND GENDER

	2016	2017	2018
Full-time contract	762	755	770
Part-time contract	0	0	0
Total	**762**	**755**	**770**

CONTRACTED AND SUBCONTRACTED WORKFORCE

	2016	2017	2018
Contracted employees	762	755	770
Subcontracted employees	124	121	159
Employees and management hired locally	100%	100%	100%

EMPLOYEES WITH DISABILITIES

AVERAGE NUMBER OF EMPLOYEES WITH A DISABILITY OF 33% OR MORE

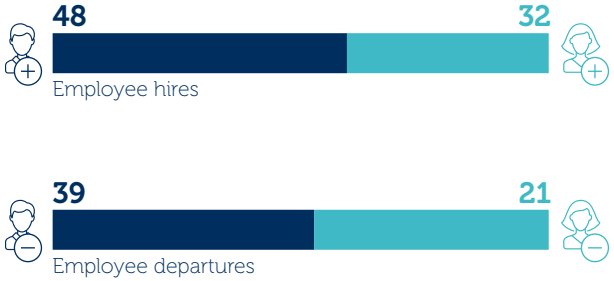
	2016	2017	2018
Senior management	0	0	0
Middle management	1	0	0
Specialist technicians	4	5	4
Administrative / Auxiliary / Support Staff	3	2	1
Total	**8**	**7**	**5**
Employees with disabilities under permanent contracts	**100%**	**100%**	**100%**

NUMBER OF DISMISSALS

	2016	2017	2018
By gender			
Women	2	0	0
Men	1	1	3
By age			
<30	0	0	1
30-50	1	0	1
>50	2	1	1
By professional classification			
Senior management	0	0	0
Middle management	1	1	0
Specialist technicians	1	0	1
Administrative / Auxiliary / Support Staff	1	0	2

HIRES AND DEPARTURES BY GENDER (*) *(401-1)*

2018



80
Total hires (2018)

60
Total hires (2018)

Performance of the last 3 quarters	2016	2017	2018	2016	2017	2018
	New hires			Employee departures		
Total	**59**	**34**	**80**	**36**	**34**	**60**
Breakdown by gender						
Men	38	19	48	27	18	39
Women	21	15	32	9	16	21
Breakdown by age range						
<30	39	17	49	9	10	11
30-50	17	16	31	8	5	10
>50	3	1	0	19	19	39
Breakdown by geographic area						
Madrid	58	31	75	32	28	41
Barcelona	1	3	5	1	4	12
Bilbao	0	0	0	1	1	1
Valencia	0	0	0	2	1	6

(*) The figures in the above table take into consideration the effective hire and departure dates of the employees in BME Group companies. Transfers between Group companies are not considered hires or departures.

EMPLOYEE HIRE RATE (%) (*)

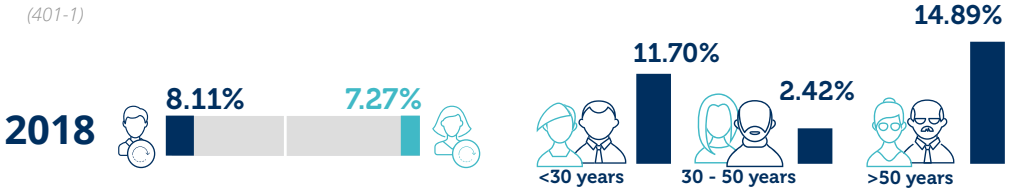
(401-1)

Performance of the last 3 quarters	2016	2017	2018
Total workforce	**7.74%**	**4.50%**	**10.39%**
Breakdown by gender			
Men	7.98%	4.00%	9.98%
Women	7.34%	2.00 %	11.07%
Breakdown by age range			
<30	54.17%	23.94%	52.13%
30-50	4.15%	3.99%	7.49%
>50	1.07%	0.35%	0.00%
Breakdown by geographic area			
Madrid	9.45%	5.08%	11.76%
Barcelona	1.05%	3.19%	5.75%
Bilbao	0.00%	0.00%	0.00%
Valencia	0.00%	0.00%	0.00%

(*) The employee hire rate has been calculated using GRI Standard criteria: number of hires among total workforce at year-end.

EMPLOYEE TURNOVER (%) (*)

(401-1)



Performance of the last 3 quarters	2016	2017	2018
Total workforce	**4.72%**	**4.50%**	**7.79%**
Breakdown by gender			
Men	5.67%	3.79%	8.11%
Women	3.15%	5.71%	7.27%
Breakdown by age range			
<30	12.50%	14.08%	11.70%
30-50	1.95%	1.25%	2.42%
>50	6.79%	6.71%	14.89%
Breakdown by geographic area			
Madrid	5.21%	4.59%	6.43%
Barcelona	1.05%	4.26%	13.79%
Bilbao	3.13%	3.23%	3.33%
Valencia	9.52%	5.00%	40.00%

(*) The employee turnover rate has been calculated using GRI Standard criteria: number of departures among total workforce at year-end.

In 2018, BME Group approved and executed an incentive-based redundancy plan restricted to employees from the technology area fulfilling certain age requirements and years of service in BME Group companies; this plan affected 17 employees.

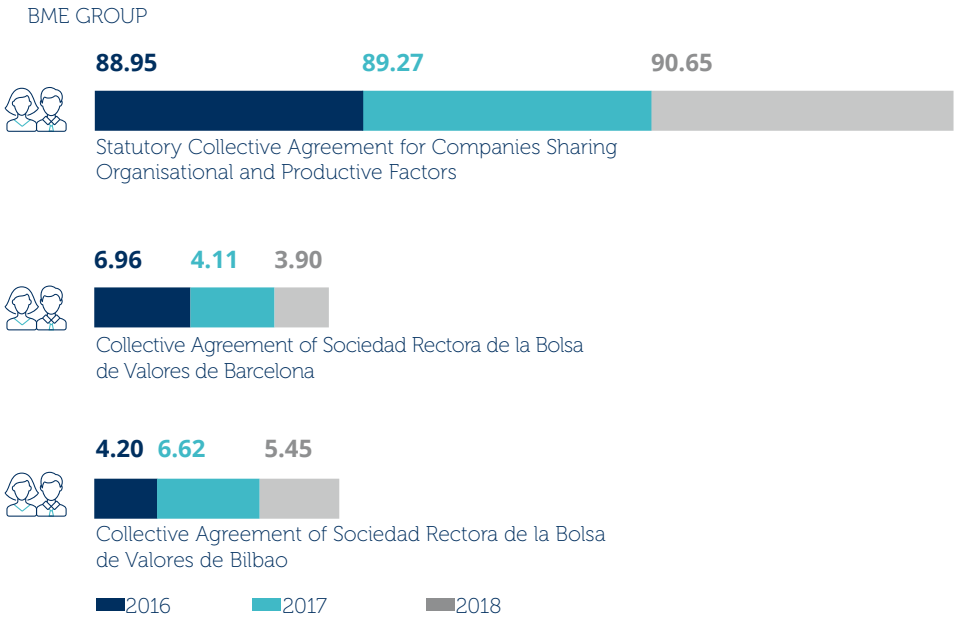
5.2. Collective agreement and employee representation

(102-41)

All Group employees are subject to the state Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors Corresponding to the period 2018-2020, which regulates the employment relationships between different companies of BME Group and its employees, with exception to the employees of the Barcelona Exchange and the Bilbao Exchange which are regulated by their own Collective Agreements, the clauses of which are equivalent in all their aspects (social benefits, rights and obligations of the employees and any other concepts). The content of the referred to Collective Agreements includes, inter alia, the principles and policies regarding management, training, equality and non-discrimination and diversity of the employees, are available to employees in the HR intranet.

These agreements corresponding to 2018-2020, the same as previous agreements applicable to 2015-2017, classify employees into professional groups A, B, C, D and E, which relate to the professional classifications of "senior management", "middle management", "specialised technicians", "administrative staff" and "auxiliary/support staff", respectively, used in the data at 31 December 2016, 2017 and 2018 included in the tables in this chapter 5, whose reporting perimeter has been modified in respect of the contents of BME's Corporate and Social Responsibility Reports for 2016 and 2017.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS (%)



Performance of the last 3 quarters (*)	2016	2017	2018
Percentage of employees covered by collective agreements	100.00%	100.00%	100.00%
Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors	88.85%	89.27%	90.65%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Barcelona	6.96%	4.11%	3.90%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Bilbao	4.20%	6.62%	5.45%

(*) All employees of BME Group companies included within the scope of this non-financial information statement, are in Spain.

Pursuant to the legislation, BME informs workers' representatives of the job situation and structure in the various work centres, and of any decisions taken by BME that could lead to significant changes in the organisation of the work or work contracts within the company. In 2018, there were no significant changes to the workforce nor were there any labour disputes.

The Company has created an Interpretations and Monitoring Committee for the Collective Agreement, the main function of which is to interpret the application of the clauses of the Agreement, study developments in relationships between the parties, arbitrate in the event of problems or questions arising from the application of the Agreement, and supervise the possible process of extending the Agreement to those group companies not currently party thereto.

5.3. Our team. Diversity and equality

(103: Diversity and equal opportunity)

Notwithstanding that, in accordance with Chapter III of Organic Law 3/2007 of March 22nd for the effective equality of women and men, neither BME nor its subsidiaries must approve an Equality Plan. BME fosters and guarantees a discrimination free working environment, built on respect and equal opportunities among all employees in their personal and professional development, regardless of gender, race, religion, age, sexual orientation, disability or nationality.

In this manner, the company's practices for selection, recruitment, remuneration, promotion, training, classification and working conditions follow the criteria of merit and capability in relation to the post's requirements, as highlighted with the measures adopted by BME to promote diversity, equal opportunities and prevent discrimination as detailed in this report.

On 8 March, BME promoted International Women's Day by Ringing the Bell for Gender Equality at an event to which a hundred professionals from the world of finance were invited. There was also a very good representation of both male and female employees of the Group.

Diversity and equal opportunities *(103: Non-discrimination)*

BME not only encourages equality, diversity and the individuality of each employee, but has also fully implemented the labour practices outlined in the United Nations Universal Declaration of Human Rights and its protocols. Additionally, the group adhered to the United Nations Global Compact in 2011.

The concept of gender equality permeates all BME's human resources management procedures, such as hiring, recruitment, training, performance evaluation, promotion, compensation, working conditions, work/life balance and communications. BME created a Joint Equality Commission to study and, where necessary, implement possible measures concerning equality within the Group companies.

The recruitment and hiring procedures ensure equal opportunities and eradicate any discriminatory treatment, both in terms of physical access to work stations and with respect to occupying different positions within the company. With this in mind, in 2018 BME signed a collaboration agreement with the Fundación Juan XXIII Roncalli (Juan XXIII Roncalli Foundation) through which employees with a disability provide services in the Registrations department of the company. Personnel are selected through internal processes that ensure confidentiality, independence and equal opportunities, and then through external channels. To date, at BME there has not been a case of any incident relating to discrimination or reported human rights violations. *(406-1)*

In addition, the Board of Directors of BME in 2017 approved the " Internal Protocol for reporting possible cases of sexual and workplace harassment ", which will be made permanently available to employees on the intranet of BME. It is intended to be a tool that guarantees the protection of the fundamental rights of all employees of the BME Group, aimed at ensuring zero tolerance and at banning behaviour that could fall under the harassment cases aforementioned.

BME upholds human rights in the performance of company activities in a manner that requires suppliers rendering security services at BME offices to provide training for their staff in this field. Given the lack of risk in this area, BME has made no significant investment in which clauses relating to human rights were included. *(103: Human rights assessment, 412-3)*

Career development and remuneration policy

BME encourages the development of persons through the internal recognition of talent, rewarding good results and observing the culture of individual effort in an environment of compensation commensurate to performance.

i) Career advancement *(404-3)*

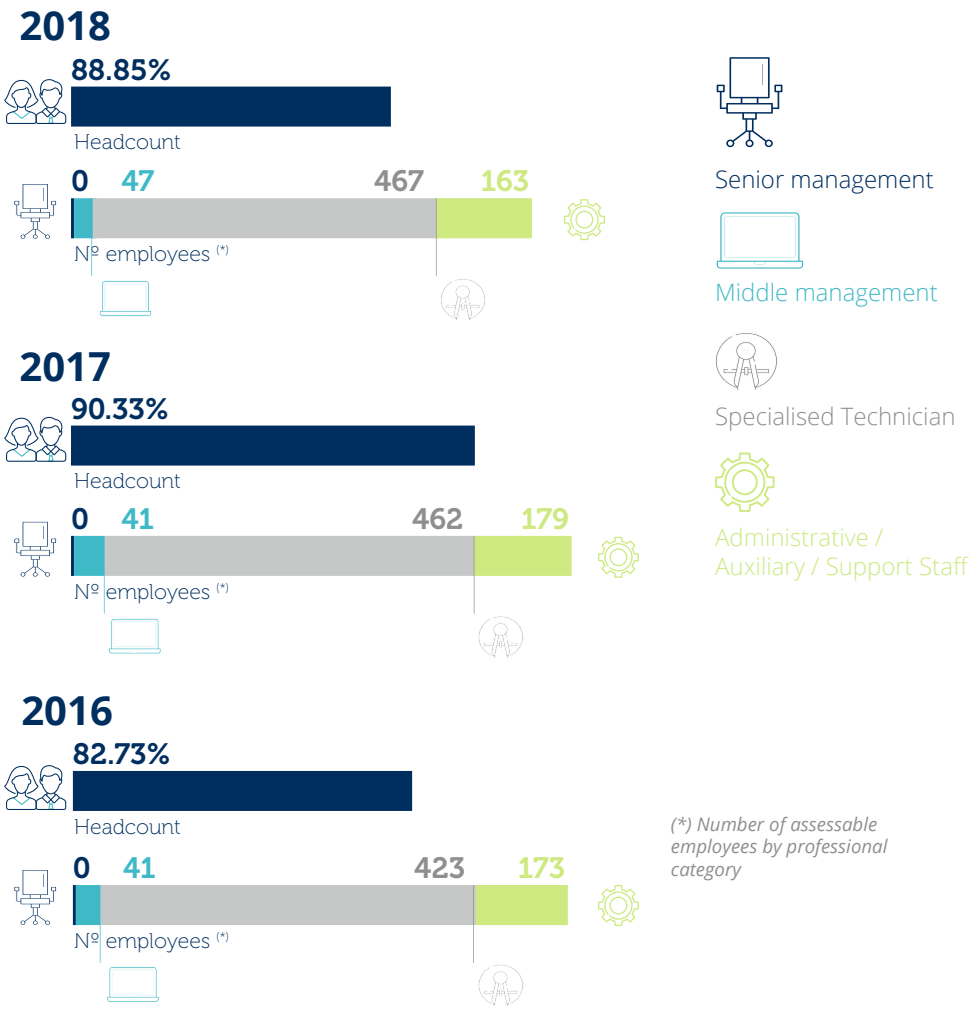
BME employees can advance professionally and be promoted to higher levels within their professional group by achieving targets in three main areas: annual performance assessment, training, and length of service at current level.

	2016 (2)	2017 (2)	2018 (3)
Number of assessable employees by professional category			
Senior management	0	0	0
Middle management	47	41	41
Specialised Technician	467	462	423
Administrative / Auxiliary / Support Staff	163	179	173
Headcount (1) %	**88.85**	**90.33**	**82.73**

(1) Figures for performance assessment in this table were calculated for the whole workforce at 31 December each year. The calculation of the total number of employees eligible for assessment does not include employees who have been with the Company for less than one year, which at 31 December 2016, 2017 and 2018 totalled 57, 39 and 84 employees, respectively, nor senior management employees for 2016, 2017 and 2018, which totalled 7, 9 and 9 employees.
(2) The data for 2016 and 2017 has been updated in respect of that published in the Corporate Social Responsibility Report for 2016 and 2017.
(3) Figures not definitive at the date of publication of this report. The percentage of employees that have received performance evaluations has been calculated based on the total workforce at the close 2018.

PERFORMANCE ASSESSMENT

BME GROUP



(*) Number of assessable employees by professional category

ii) Remuneration policy *(103: Diversity and equal opportunity, 102-36, 102-38, 102-39, 405-2)*

BME Group's remuneration policy, referred to in section 2.5 of this report, responds to the objective of providing the Group suitable procedures to align the market trends concerning remuneration with the strategic objectives of the business.

The main elements of BME Group's Remuneration Policy, the concepts of which are established in the applicable Collective Agreement, ensure equal remuneration for posts with equal characteristics, namely:

a. The fixed remuneration which comprises a base salary established in the applicable Collective Agreement and a personal compliment which remunerates, without any form of discrimination, the professional track record, the responsibility inherent in the post, the level of professionalism exercised and determined by the content of the post held.

b. The annual variable remuneration that a group of identified professionals may receive, according to the professional level and post held and dependant on the individual and area targets achieved, the aim of which, in the medium term, is to attract, retain and obtain the commit of mainly the directors and prominent persons of the Group, ensuring the establishment of a stable bond and with a view to remaining with the company for a long period of time.

c. Social benefits. (401-2) The employees subject to the collective agreements of BME, Barcelona Stock Exchange and Bilbao Stock Exchange, also have a series of social benefits through which it is aimed to obtain a balance between personal and work life, mainly through financial support (aid for the physically and mentally disabled and attention to diversity, grants for the employees' children, nursery vouchers, assistance for employees' studies and their children's, baby bonus, wedding bonus, interest-free salary advances, personal loans, benefits for disabled employees).*(401-2)*

In 2015 the Company Set up a Committee to evaluate the pension plan for all the employees of the companies affected by the statutory Collective Agreement.

SALARY GAP (*)

BME GROUP *(405-2)*

	2016	2017	2018
Senior management	-	1.68	1.39
Middle management	1.19	1.19	1.20
Specialist technicians	1.10	1.10	1.12
Administrative / Auxiliary / Support Staff	1.00	1.05	1.07

(*) The salary gap has been calculated as the relationship between the average remuneration of men and the average remuneration of women, by professional category. The calculation of these averages takes into account the number of days the worker has formed part of the company during the year, the daily remuneration received for the period and the number of employees at the close of the period.

AVERANGE REMUNERATION (THOUSANDS OF EUROS)

BME GROUP

By gender

2018

68 € | 55 €

2017

71 € | 57 €

2016

71 € | 56 €

By professional category (*)

Senior Managment

372
371
487

Managment Average

175
173
177

Técnico Especializado

63
63
63

Administrative/Auxiliary /Support staff

32
34
32

2018 2017 2016

By age

2018

<30 years	30-50 years	>50 years
24 €	54 €	97 €

2017

<30 years	30-50 years	>50 years
26 €	54 €	93 €

2016

<30 years	30-50 years	>50 years
21 €	54 €	97 €

(*) The calculation of the average remuneration takes into account the number of days the worker has formed part of the company during the year, the daily remuneration received for the period and the number of employees at the close of the period, for each one the categories included in these tables.

5.4. Best employment practices

Work-life balance policy and social benefits *(103: Employment, 401-2)*

BME promotes employment flexibility and work-life balance for its permanent and temporary workers through a number of initiatives that allow the reconciliation with personal and family life: unpaid and paid leave and working day reductions for legal guardianship and nursing mothers.

Other work/life balance measures benefiting all temporary and permanent employees include flexible start and finish times, a 5.5-hour working day on Fridays and the days before public holidays, and the possibility of requesting holidays at any time and split over different periods.

Similarly, the number of overtime hours per employee, which is voluntary, may not exceed 80 hours a year, except for those hours worked to prevent or repair accidents or other occasional and urgent damage, without this affecting their remuneration as overtime hours. BME aims to ensure the most extensive rotation possible among the workers affected by overtime hours, therefore preventing, insofar as is possible, the same persons always being affected. In addition, where justified, employees may request to fully or partially work from home through teleworking, ensuring the disconnection from work in the home of the employee linked to the use of digital devices for this purpose. Notwithstanding the above, BME at present has not approved a disconnection from work policy.

Other services and activities

i) Services for employees

BME provides its employees with various services to facilitate their access to the workplace and allow them to perform their duties more comfortably, such as a restaurant service, travel agent to organise trips and private holidays, educational activities, shows, workshops and games for the employees' children, as well as special conditions for different services provided by third parties.

In 2018, the Company launched BME Conecta, the first mobile app for employees, from which employees can access a variety of human resources functionalities online and other services aimed at employees.

ii) Sport and leisure activities

In 2018, BME organised a new edition of its Paddle Tennis Competition for employees and sponsored indoor and 11-a-side football teams and a basketball team by financing its members' registration and equipment costs. BME also participated in and sponsored the cycling club and the track and field group, which have participated in the 'Carrera de las Capacidades' organised by the Adecco Foundation and the annual Companies Race. BME also continues to organise an encounter with the Three Wise Men at the Palacio de la Bolsa for the employees' children.

BME offers its employees´ children worshops organised by The Prado Museum.

5.5. Employee trainning *(103: Training and education, 404-1, 404-2)*

BME sets out its commitment to employee training in article 26, section b), of the statutory Collective Agreement, whereby "it shall foster plans to improve the training and advanced professional training of its workers, guaranteeing the possibility of training for all employees".

The Human Resources Department encourages and promotes the training of employees through the Training Plan, which is carried out both in a classroom setting and on-line, it also has specific training programmes and other complementary courses related directly to the business objectives which contribute directly to the professional and personal development of the employees.

As previously mentioned in section 2.4 of this report, BME is adhered to the system that the State Foundation for On-the Job Training makes available to all companies and which consists of financial aid for the training of its employees which is made effective by way of a Social Security contribution credits.

The Training Programme was developed following an analysis of the training needs identified in the annual performance assessments, taking into account requests from managers of Business Units and Corporate Areas, and initiatives by the Training department. A Training Plan Monitoring Committee, with the involvement of workers' union representatives, has been set up to improve the quality of the Training Plan and identify training needs.

NUMBER OF COURSES CARRIED OUT UNDER BME'S IN-HOUSE TRAINING PROGRAMME (*)

	2016	2017	2018
BME's In-house Training Programme is divided into the following areas:	81	102	85
User applications area	8	16	0
Skills development area	21	24	17
IT area	9	20	31
Financial markets and financial assets area	43	42	37

(*) These figures do not include language training or training through Master's programmes, nor personalised or specific training.

In addition to this training under the In-house Training Programme, other courses are organised as necessary to meet ad hoc and specific business needs.

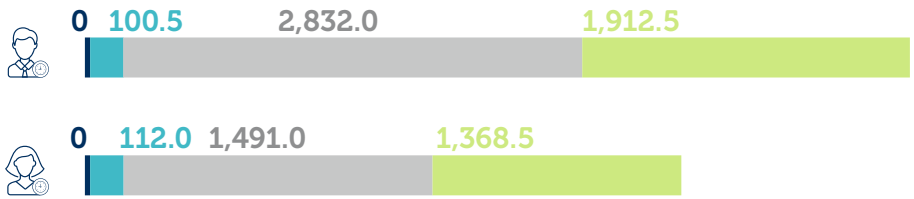
EMPLOYEE TRAINING [1]

BME GROUP

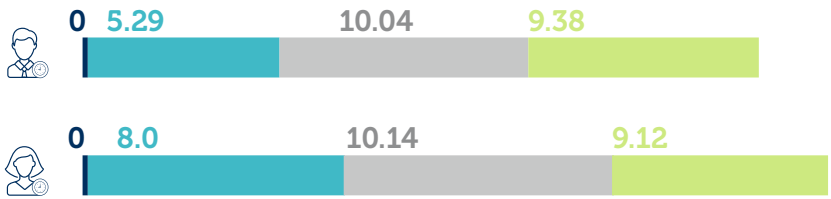
2018

Senior management | Middle management | Specialist technicians | Administrative / Auxiliary / Support Staff

Number of employee training hours
(by professional category)



Average employee training hours
(by professional category)



Performance of the last 3 quarters	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employee training hours (by professional category)									
Senior management	12.00	0.00	**12.00**	25.00	0.00	**25.00**	0.00	0.00	**0.00**
Middle management	87.50	159.50	**247.00**	80.00	84.00	**164.00**	100.50	112.00	**212.50**
Specialist technicians	2,364.00	1,708.00	**4,072.00**	3,947.00	1,566.00	**5,513.00**	2,832.00	1491.00	**4,323.00**
Administrative / Auxiliary / Support Staff	2,544.50	1,858.50	**4,403.00**	1,928.00	2,426.50	**4,354.50**	1,912.50	1,368.50	**3,281.00**
Average employee training hours (by professional category) [2]									
hrs/employee - senior management	12.00	0.00	**12.00**	25.00	0.00	**25.00**	0.00	0.00	**0.00**
hrs/employee - middle management	6.73	9.97	**8.52**	8.00	10.50	**9.11**	5.29	8.00	**6.44**
hrs/employee - specialised technician	14.24	13.56	**13.95**	23.92	11.60	**18.38**	10.04	10.14	**10.08**
hrs/employee-Administrative/Auxiliary/Support Staff	15.71	12.07	**13.93**	13.39	17.46	**15.39**	9.38	9.12	**9.27**

(1) These figures do not include language training or training through Master's programmes, nor personalised or specific training, among which is the BME's 2018 Criminal Prevention Course.
(2) The calculation of the average training hours is based on the number of hours of training given to each trained employee, by professional category.

BME also has a library service allowing employees to take out books and periodicals. This keeps employees abreast of the latest publications, legislation and documents relating to stock market issues. The library also processes requests for information. BME employees have online access to the library and documentation centre catalogue through the company's intranet. Subsequently, employees can occasionally and regularly consult information on projects and actions in different Group companies and departments, as well as on events carried out by the company.

5.6. Occupational health and safety *(103: Occupational health and safety, 403-1)*

BME guarantees the health, safety and risk prevention measures established in the Law on Occupational Health and Safety at all its work centres and annually analyses any risks at its installations and its employees' workplaces. With the collaboration of its employees, through their legal representatives, and of internal bodies specifically entrusted with this issue, BME draws up a programme to address the risks detected and proposes and implements the corresponding preventive measures and universal accessibility for disabled persons, such as training, information, personal protection equipment and routine checks.

Through their legal representatives and the internal and specific participation bodies, employees participate in the planning and control of the measures adopted concerning health and safety in the workplace, which are regulated in the Collective Bargaining Agreement. In this way BME has the following health and safety committees that control and advise on safety and health programmes in the workplace, which represent 100% of the staff, and are composed of both managers and employees: Security and Hygiene Committee, Evacuation Team, Emergency Team and First Aid Team. In particular, the Security and Hygiene Committee has a mailbox associated with BME's prevention, health and hygiene delegates, as a mechanism for making complaints and / or suggestions regarding those aspects related to health, comfort and ergonomics in the workplace as well as other security aspects.

Workplace safety

BME draws up its workplace safety policy on a yearly basis, carrying out the necessary studies and projects to define the most significant risks, either in terms of seriousness or frequency, and implements effective prevention and protection systems. In addition, the Online Human Resources tool lists the names of the members of the Evacuation, Emergency and First Aid teams, and includes the Health and Safety in Offices Manual.

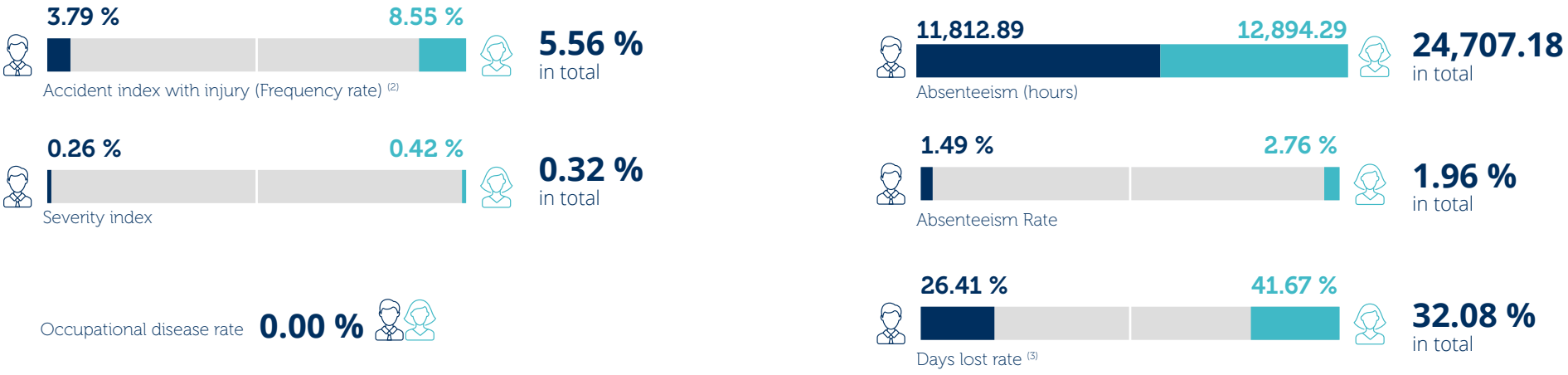
Workplace risk prevention programmes are implemented at all BME centres, and regular testing, as well such as fire drills, is carried out in order to prevent workplace risk.

Employee health *(403-2)*

Despite the professions of BME employees, with the exception of maintenance, not having a high occurrence or risk of disease, BME provides its employees with a healthy working environment. To that end, BME has a Health Monitoring Programme through which it provides information and training on how to act in the event of accidents or serious health problems occurring at work, as well as on other matters. There are also First Aid Kits located in the work centres with up-to-date instruments for providing immediate care in the case of a cardiac arrest (Automated External Defibrillators) and a Nurse Station, located in Las Rozas which is complemented by a telephone service which allows video-conference type calls to be made at all work centres.

In addition, BME provides workers with annual physical check-ups, and has contracted health insurance for all employees and their family members. These insurance plans cover medical care, surgery and hospital care in cases of illness or injury, in accordance with the terms and conditions and in respect of the insured risks. BME also organises yearly influenza vaccination campaigns.

AT 31 DECEMBER 2018



2018 (1)

		Breakdown by region					Breakdown by gender		
		Madrid	Barcelona	Bilbao	Valencia	Total	Men	Women	Total
Accident index with injury (Frequency rate) (2)		6.77%	0.00%	0.00%	0.00%	**5.56%**	3.79%	8.55%	**5.56%**
Severity index		0.39%	0.00%	0.00%	0.00%	**0.32%**	0.26%	0.42%	**0.32%**
Occupational disease rate		0.00%	0.00%	0.00%	0.00%	**0.00%**	0.00%	0.00%	**0.00%**
Days lost rate (3)		39.08%	0.00%	0.00%	0.00%	**32.08%**	26.41%	41.67%	**32.08%**
Absenteeism	Nº hours	18,539.55	4,490.55	1,085.98	591.10	**24,707.18**	11,812.89	12,894.29	**24,707.18**
	Rate	1.79%	3.04%	2.14%	2.21%	**1.96%**	1.49%	2.76%	**1.96%**

(1) The definitions considered in the calculation of the health and safety indices and are established in accordance with GRI Standards:
- Accident: Fatal and non-fatal accidents in the workplace.
- Occupational disease: Disease deriving from an employment related situation or activity.
- Days lost: Sick leave of an employee due to an accident or occupational disease.
- Absenteeism (hours): Number of hour absent from work of an employee due to a disability of any type, not only due to an accident or occupational disease.
The formulas used for the calculation of the health and safety indices are as follows:
- Accident index with injury (Frequency rate): No. accidents x 10^6/No. total hours work scheduled.
- Severity index: Days lost x 10^3/No. total hours work scheduled.
-Occupational disease rate: No occupational diseases x 10^6/No. total hours work scheduled.
-Days lost rate: Days lost x 10^5/No. total hours work scheduled.
-Absenteeism rate: No. absenteeism hours x 10^2/No. total hours work scheduled.
(2) The accidents with injury that have occurred total six accidents on the way to or from work due to traffic accidents and one fall on the stairs in the workplace.
(3) The seven accidents occurring during 2018 represented a loss of 404 working days, resulting in an increase in the days lost rate for said period.

Health and safety training

The company ensures that its workforce receives the appropriate training in health and safety matters. All new employees take an online training course on workplace risk prevention measures and rules, which was updated during 2018.

The First Aid Service, in partnership with the Human Resources and Corporate Communication Departments, informs regarding current blood donation campaigns and publishes informative Health Bulletins, in addition to offering theoretical/practical emotional welfare workshops to employees.

The personnel of the security companies hired by BME to manage the security of its buildings comply with all requirements under prevailing legislation governing the provision of security services and the protection of property, people and auxiliary services, and hold the quality certifications for their services issued by SGCS ICS Ibérica, S.A. and AENOR. In 2018, the security companies hired by BME continued running refresher courses for its employees.

6. Suppliers

BME
BOLSAS Y MERCADOS ESPAÑOLES

(103: Procurement practices)

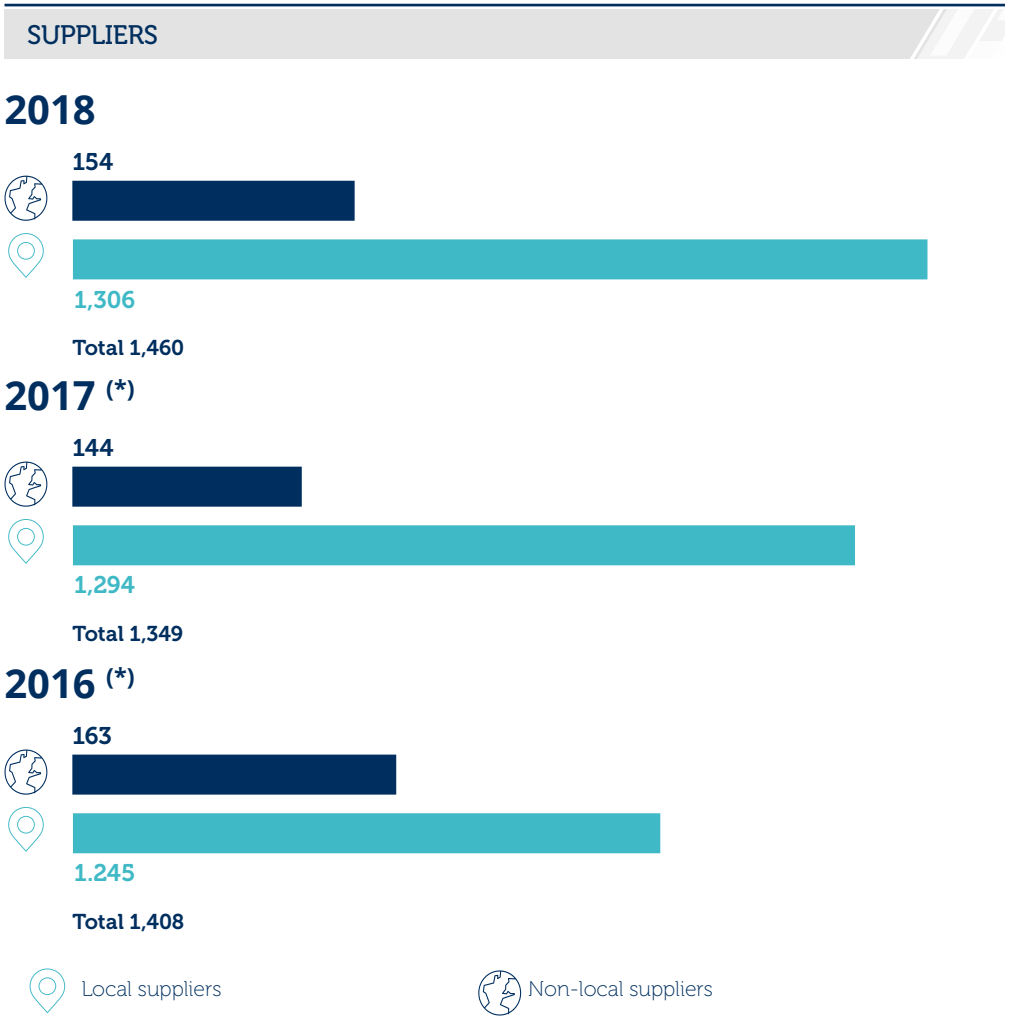
Suppliers are an essential aspect for BME as they provide the equipment, technical assistance and essential services for the efficient and sustainable performance of its activities.

BME has an objective of sustainable management in its supply chain through several processes with the aim of positively contributing to a respectful relationship with the natural environment and the elimination of forced or compulsory labour and to the abolition of child labour in the environment in which BME Group companies carry out their activities.

6.1. Supplier profile *(102-48)*

BME is committed to supporting suppliers located in Spain (local suppliers) operating in the geographic location where the supplies and services are purchased and invoiced, maintaining a commitment to local employment and the procurement of locally sourced products and services. In 2018, the Company managed a total of 1.460 suppliers, of which 89.51% are local.

SUPPLIERS



(*) The data relating to local and non-local suppliers for 2016 and 2017 have been amended due to the establishment of new reporting criteria with regards the categories of suppliers to be reported.

Of the 1,460 suppliers managed by the Company during 2018, 107 have been registered as new suppliers which belong to different sectors and represent 7.33% of the total.

BME's suppliers can be classified into the following categories: technological services (supply of IT equipment and solutions), support (consultancy, auditing, travel agencies) and maintenance (improvement and management of properties and facilities)

A) Volume of procurements *(204-1)*

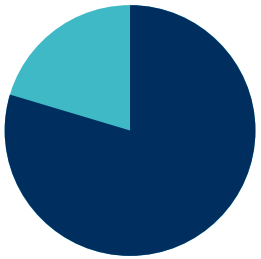
BME possesses a supplier contracting system (SI3), through which the total volume of goods and services managed in 2018 amounted to 54.778 million euros, 13.52% up on the previous year.

Of the total volume of procured goods and services, local suppliers account for 78.36% of the total for 2018, a change of 7.59% compared to the previous year.

INVOICING FOR SERVICES SUPPLIED BY EXTERNAL SUPPLIERS

AT 31 DECEMBER 2018

21.64%
Non-local suppliers



78.36%
Local suppliers

Performance of the last 3 quarters	2016	2017	2018
Supplier invoicing (thousands of euros)	44,623	48,255	54,778
Local suppliers (%)	88.63	84.80	78.36
Non-local suppliers (%)	11.37	15.20	21.64

(*) The data relating to volume invoiced by suppliers for 2016 and 2017 have been amended due to the establishment of new reporting criteria with regards the categories of suppliers that must be included.

B) Average supplier payment period

As in previous years, BME settled the payments of its suppliers' invoices within the legally-established period. In 2018, the average payment period by BME was 43 days. In compliance with prevailing legislation to combat late payment in commercial transactions and corporate governance regulations, this information can be found on the Company's corporate website (www.bolsasymercados.es).

AVERAGE PAYMENT PERIOD TO SUPPLIERS, DAYS

	2016	2017	2018
BME	30	37	43
Other group companies	35	35	37

6.2. Supply chain

(103: Supplier social assessment, 102-9, 102-10, 308-1, 414-1)

BME's activity is governed by a series of corporate values and ethical and socially responsible commitments, which BME seeks to encourage all suppliers in its supply chain to adopt. In this regard, the Company has implemented within its goods and services procurement process a series of mechanisms that aid the Company to continue developing a sustainable and responsible management of its own supply chain, which has not suffered any significant changes throughout 2018.

BME's supply chain – the activities through which the company procures goods and services– is orchestrated through an organised and centralised system for contracting and managing the services of external suppliers: the Order Approval System (SI3). This system underpins all the phases of the procurement process for products and services from external suppliers: requests, approval, budget control and payment management.

The Order Approval System (SI3), through which all the orders of the BME Group are processed, comprises a technological platform for the registration and assessment of suppliers that.

- makes the procurement process more efficient and automated.
- Enhances the Company's cost control, by providing department heads and managers of corporate areas with an effective mechanism for controlling spending on external services.
- enables the source and geographic location of procurement to be determined, whereby CO2 emissions can be kept down through local procurement (which accounts for practically all purchases).
- identifies and minimises potential supply chain risks, ensuring suppliers are compliant with social, environmental and economic regulations.
- enables information to be continuously and directly shared and exchanged by officers in different companies requiring the same product or service. This is a useful tool for the group as information is standardised and recorded.

In this manner, BME's suppliers must meet different quality standards depending on the type of products and services they offer, and must be responsible in their business practices and comply with all regulations governing their activity. Subsequently, during the initial phase of the management of the order, new suppliers sign a declaration stating that they comply with all the financial and technical requirements necessary to be contracted, as well as the environmental, social, employment, occupational health and safety, and human rights legislation. In 2018, 107 of new suppliers signed the abovementioned declaration. The Company has not rejected any supplier or cancelled any contract due to a breach of any of the technical, professional or financial criteria set down in the declaration.

Internal process for the purchase of goods and the supply of services, selection and evaluation of suppliers

BME has an internal procedure for purchases of goods and services, selection and assessment of suppliers applicable to all Group companies, which although does not expressly include any environmental, social or diversity criteria it is developed based on such specific actions and measures as listed below and which, among other issues, incorporate environmental and sustainability aspects into the supply as detailed in the aforementioned process.

Accreditation and Evaluation

With the support of the SI3 system an initial accreditation and assessment can be performed of the level of compliance of new suppliers with whom BME has placed an initial order in excess of €10,000 or where the goods or services are deemed critical, i.e. they represent a high risk given the size of the purchase and/or their direct impact on BME's activities or services to its clients.

This accreditation process considers criteria that ensure that suppliers can comply with the commitments undertaken, including their economic and financial solvency, technical and human infrastructure, supply capacity, quality and after-sales service and warranties, previous experience with BME Group companies, or recognition on the market.

Within the framework of the above-mentioned initial accreditation and evaluation process, measures are adopted to prevent fraud and corruption between the Company and the intermediaries, such as requesting alternative quotations from other suppliers.

As part of its commitment to the environment, the Company includes environmental and sustainability criteria throughout its supply chain. In this regard, those suppliers of services which may cause a greater environmental impact, such as companies providing maintenance services and suppliers of IT office equipment have environmental and energy-efficiency certification.

Supplier Monitoring

This initial accreditation and evaluation process is followed by an on-going monitoring of suppliers once they are registered, through regular reviews to ensure that the initial commitments undertaken remain in effect throughout the contractual relationship, and that the expected quality of the products or services is maintained.

This second process entails the following actions:

1. Completion of a supplier assessment questionnaire for each product or service delivered.
2. Detection, logging and follow-up of any incidents, delays, returns or claims that may arise.

In 2018, 2,567 orders were placed with 434 suppliers eligible for assessment. The result of the evaluations performed on the 1,940 orders fulfilled by the above-mentioned 434 suppliers that were assessable, only four of the orders provided had a negative evaluation.

7. Society

(103: Indirect economic impact) (413-2)

With the aim of strengthening its commitment with the society in which it provides its services and to improve the social and institutional relationships it maintains within its environment, BME complements its main activity by developing diverse actions and initiatives with the aim of disseminating financial knowledge and the informative activity on the financial markets and the services provided by BME Group to listed companies and SMEs.

Notwithstanding the above, BME does not have a negative impact on the local communities in which it operates in the performance of the activities, the companies of the Group set into motion the necessary actions to ensure legal compliance and evaluate and mitigate all the negative impacts that its activity may have on local communities.

BME also carries out other activities in support of the community, such as the promotion of institutions and cultural events and driving encouraging social actions that benefit the local community. *(103: Indirect economic impact)*

Pre-Market Environment presentation.

7.1. BME in institutions *(102-13)*

	BME GROUP (1)	BME GROUP (2)	BME GROUP (3)	BME GROUP (4)
SPANISH AND ASSOCIATIONS AND INSTITUTIONS				
Spanish Association of Accounting and Business Administration	-	-	YES	-
Spanish Association of Financial Managers and Company Treasurers	-	-	YES	-
Financial Markets Association	-	YES	YES	-
European Finance Centre, Barcelona	-	-	YES	-
Círculo de Economía	-	-	YES	-
Catalan Institute of Economists	-	-	YES	-
Institute of Internal Auditors (IAI)	-	-	YES	-
SUPRANATIONAL ASSOCIATIONS AND INSTITUTIONS				
World Federation of Exchanges (WFE)	-	YES	YES	YES
Federation of European Stock Exchanges (FESE)	YES	YES	YES	YES
Ibero-American Stock Exchange Federation (FIAB)	YES	YES	YES	YES
European Capital Markets Institute (ECMI)	YES	YES	YES	-
International Organization of Securities Commissions (OICV-IOSCO)	-	YES	YES	-
Centre for European Policy Studies (CEPS)	-	YES	YES	-
Futures Industry Association (FIA)	-	YES	YES	-
Spanish SWIFT Users Group (SWIFT GNUSE)	-	YES	YES	-
International Securities Services Association (ISSA)	-	-	YES	-
European Central Securities Depositories Association (ECSDA)	YES	YES	YES	-
Extensible Business Reporting Language (XRBL) Association	-	-	YES	-
Financial Services in Europe (EUROFI)	-	YES	YES	-
AFME – Securitisation Division (previously: European Securitisation Forum)	-	-	YES	-
European Covered Bonds Council (ECBC)	-	-	YES	-
Financial Information Services Association of SIIA (FISD)	-	-	YES	-
European Association of CCP Clearing Houses (EACH)	YES	YES	YES	-

BME group:

Domestic and international associations and institutions in which BME, directly or indirectly:

(1) holds a position on the governance body.
(2) participates in its projects or committees.
(3) views membership thereof as a strategic decision.
(4) provides substantive funding beyond routine membership dues.

7.2. Dissemination of financial knowledge.

(103: Indirect economic impact, 203-2)

BME is committed to the dissemination of financial knowledge and the increase in the access to the financial culture of economic agents whatever their condition, aspects that will improve the protection of investor rights, given that a higher level of financial culture among the public favours decision-making, as being well informed and having an adequate identification of the risks also permits the sustainable growth of the business of the companies.

BME's commitment in this regard is evident with the existence in the BME Group of an educational centre, Instituto BME, whose activity is focused on the organisation of different educational services related to the financial markets, and which are aimed at all types of groups. Special mention should be made of BME's Shareholder's Training Plan mentioned in Chapter 3.4.

The main positive impact of this dissemination of financial knowledge is that it allows Spanish households and all the groups that form society to improve their understanding of the products, concepts and financial risks and, through information, instruction and assessment, they can develop the skills and confidence to become more aware of the financial risks and opportunities.

BME INVESTMENT IN SOCIAL INITIATIVES

(THOUSANDS OF EUROS)	2016	2017	2018
Financial culture and training	975	995	1,085
Socio-economic development (Awards)	30	30	20

Financial Education Day

As part of its commitment to the dissemination of the financial culture, BME regularly assists in the organisation and development of the "Financial Education Day", an initiative that forms part of the Financial Education Plan promoted by the Banco de España, the CNMV, the Directorate-General for Insurance and Pension Funds and the General Secretariat of the Treasury and International Finance.

Within the framework of the free training activities that it carries out, Instituto BME has delivered several sessions on "Financial Planning and Savings Management", during which it has transmitted to the attendees the basic principles and procedures to take into consideration to carry out the most efficient savings management possible, and on "education and future of family finances", which discusses the financial behaviour of the general public, with speakers from the CNMV, Banco de España and the University.

Collaboration in financial education with universities, educational centres and other relevant parts of society

In the field of the dissemination of the financial and stock exchange culture, the professionals of BME participate in educational projects associated with the securities market aimed at all groups.

BME, either directly or through Instituto BME and the four Stock Exchanges, collaborates on numerous training projects, delivering specialised courses at different private and public national universities (such as the Universities of Alcalá de Henares, Carlos III, Malaga, Basque Country, Pontificia de Comillas, San Pablo CEU, Santiago de Compostela, Valencia, Oviedo, Cantabria, Castilla la Mancha), international universities (Sergio Arboled, in Colombia) and training institutions (*Institut d'Estudis Financiers*, Instituto de Estudios Bursátiles, Colegio Universitario de Estudios Financieros, Escuela de Finanzas, *EAE Business School* or the Fundación de Estudios Financieros).

BME once again organised free training seminars on the workings of financial markets and the products traded on them, targeting groups outside the sector who would be able to better perform their jobs with this knowledge, such as members of the General Council of the Judiciary, the National Police, the Civil Guard, and the Centre for Legal Studies (CEJ).

Financial awards promoted and sponsored by BME

Within the scope of the dissemination of financial knowledge, BME has continued with the promotion of the Base IBEX 35, Base ETF and Finance Forum awards, the sponsor ship of Financial Excellence and Expansion, the co-sponsorship of the X Economics Olympics of Madrid and Robotrader 2018, as well as participating in the CFA Spain award. In 2018, BME also took part in initiative for the 1st Carlos Humanes Economic Journalism Award, celebrated at Palacio de la Bolsa.

Sponsorship of financial publications *(203-2)*

BME contributes to the study and knowledge of the Spanish financial economy, encouraging the dissemination of finance and the stock markets through the direct publication of books and magazines and through the sponsorship of various publications.

The BME Studies Service has personnel at the four stock exchanges, which prepare, filter, select and distribute statistics on the markets and systems of the BME Group, reports and documentation on what is happening in the national and international financial markets through the BME's digital publications service (BME Ediciones Digitales).

BME also has libraries and documentation centres at all its offices with more than 30,000 titles on economics and finance available to employees and non-BME personnel.

Carlos Humanes Award for Financial Journalism Ceremony.

FEF Awards.

7.3. Financial informative activity *(203-2) (103: Indirect economic impact)*

BME has been helping Spanish businesses to make the most of market opportunities and assisting them with funding, growth, training, visibility and efficiency.

Financial informative activit *(203-1)*

This informative activity carried out by BME for its users and society in general is performed through a series of forums, seminars, trade fairs and other activities related to the securities market, such as the participation in *Spain Investors' Day*, the *Forinvest* trade fair, the SIBOS trade fair, the *Spring European Midcap Event* seminars, annual meeting of the Federation of European Stock Exchanges, the annual meetings of the "Geneva MidCap Event", the "*Spanish Small & MidCaps Conference"* and the "*Spain All Caps Conference*" and the organisation of the *MedCap Forum* and the Latibex Forum.

Within the scope of this informative activity, the Madrid Stock Exchange was the stage chosen by the Business Financing Guide to organise, in partnership with BME, "The challenge of green bonds" seminar, which took place on 7 February, with the aim of informing on the attractiveness of these investments and their good reception by investors, as well as describing the measures that would be necessary to favour these issues and which would facilitate companies and other institutions complying with the United Nations Sustainable Development Goals.

BME and the Royal Academy of Jurisprudence and Legislation also have a cooperation agreement, through which BME contributes to efforts to promote the culture of finance that this Royal Academy fosters as part of its work to promote financial-sector and securities-market law.

Due to the interest in the historical and artistic heritage of Palacio de la Bolsa in Madrid, the Madrid Stock Exchange offers free guided tours, during which the importance of the activity carried out by BME is made apparent. In celebration of the sixth edition of "Madrid, Otra Mirada" (Madrid, Another Perspective) organised by the Madrid City Council, BME joined this informative event by opening the doors to the Palacio de la Bolsa in Madrid, which celebrated its 125th anniversary in 2018. The other stock exchanges in Barcelona, Bilbao and Valencia also offer guided tours, promoting education and information about stock markets.

Promotion of added value services to listed companies

(103: Indirect economic impacts)

BME provides information on and promotes added value services to listed companies, intermediaries and other investment services companies, understanding as such the group of services that accompany the sale/purchase cycle of negotiable financial assets, which are performed through the Information and Added Value Services Unit.

Within this context, BME, through the dissemination and provision of these services strengthens the transparency of the markets, investor protection and security, the non-discriminatory participation in the markets and the participation in the channelling of savings towards productive investment, as well as, ultimately, provide value to the whole national economy in terms of economic growth and the generation of employment.

Support for small and medium-sized enterprises *(103: Indirect economic impacts)*

BME's prime objective is to provide the highest number of companies access to financing through the securities market, particularly small- and medium-sized companies. To do so, the Alternative Equity Market (MAB) and the Alternative Fixed Income Market (MARF) created by BME aim to cover the financing needs of the Spanish small- and medium-sized companies.

Companies also enjoy the comprehensive solutions offered by BME4Companies created by BME, which allows entrepreneurs to reap the benefits of the securities market through an extensive and competitive range of services, as well as the Pre-Market Environment, a joint initiative between BME and *Big Ban Angels*, to facilitate the access of *start-ups* to the capital markets and assist them in the search for new investors, and which in 2018 held its third *Investor Day*.

Once again, this year BME participated alongside the Confederación Española de la Pequeña y Mediana Empresa [Spanish Confederation of Small and Medium-sized Enterprises] in the CEPYME 500 project, aimed at driving growth and promoting the resizing of the top 500 SMEs leading business growth in Spain.

7.4. Other activities supporting the community

(102-13; 413-1; 103: Local communities)

Cultural activities

BME continues to maintain its commitment to supporting the local community, in particular with regard the world of culture: it is a member of the Friends of the Prado Museum Foundation, a sponsoring partner of the Reina Sofia Museum in Madrid, a partner of the Teatro Real in Madrid, a trustee of the Naval Museum Foundation and the National Archaeological Museum, and a patron of the Guggenheim Museum in Bilbao, as well as other institutions.

BME INVESTMENT IN SOCIAL INITIATIVES (THOUSANDS OF EUROS)

	2016	2017	2018
Financial sponsorship and promotion of cultural activities	250	300	235

Social action

In 2018, BME reaffirmed its commitment to the Madrid and Barcelona Food Banks, and has continued to carry out other initiatives of social value that benefit society and the local community.

Food Bank 2018.

8. Environmental Performance

8.1. Environmental management

(103: Environmental compliance, 103: financial performance, 102-11, 305-3,307-1)

In this regard, after the materiality analysis performed to which this report refers, the Company concluded that the activity of the BME office and the urban areas in which it is performed do not generate a significant direct impact on the environment, therefore the Company does not consider the aspects associated with the management of its waste and materials, biodiversity and sources of water collection within the environment of its facilities, nor the acoustic and light contamination that its facilities may generate, nor the emission of substances that deplete the ozone layer (SAO), nitrogen oxides (NOx), sulphur oxides (SOx) and other emissions to be of material significance.

In spite of the above, BME contributes to protecting the environment and dedicates economic resources to the sustainable management of its activities with the goal of minimising any environmental impacts that might arise from its operating processes and facilities, and the services it contracts.

A) Environmental Management

The Company reports its commitment to the environment following the precautionary principle defined by the GRI Standars and Principle 15 of the Rio Declaration on the Environment and Development of the United Nations in 1992, indicating how it conducts its activities, as well as the intention to mitigate the possible environmental impacts derived from them through the environmental management that is included in this report and which is approved annually by the Board of Directors on the occasion of the approval of this report.

In this sense, given the activities of the Group, BME has analysed the risk factors related to its environmental performance within the framework of risk management and has concluded that today the environmental risk is not significant and therefore it does not have responsibilities, expenses, assets, or provisions or contingencies of an environmental nature that could be significant in relation to the Group's assets, financial situation and consolidated results.

Notwithstanding that BME has verified the nonexistence of risk factors associated with its responsibilities within the risk management framework and given its commitment to the environment, BME has adopted a series of measures to mitigate the possible environmental impacts:

- comply with prevailing national, regional and local legislation, as well as with BME's own commitments to minimise the environmental impact of its activities
- foster measures to reduce the use of the resources consumed directly and indirectly by BME
- Encourage the recycling of waste in order to minimise the company's environmental impact. BME fosters compliance with the three "R" approach to environmental protection: Reduce, Reuse, Recycle
- encourage an environmentally-responsible behaviour by BME employees through the implementation of best environmental practices
- contribute to the advancement of corporate social responsibility in Spain through projects that promote socially responsible business practices.

As in previous years, in 2018 BME did not receive any significant fines or sanctions relating to the environment.

The environmental impacts deriving from transport are solely due to the transport of employees during corporate trips and travelling to their place of work, therefore there are no significant environmental impacts.

B) FTSE4Good IBEX index

In 2006, BME together with *FTSE Group* created the FTSE4Good IBEX comprising securities belonging to BME's IBEX 35® index and the *FTSE Spain All Cap* index, which comply with the best practices in corporate social responsibility. The FTSE4Good IBEX index is a tool which allows responsible investors to identify and invest in those companies that work towards environmental sustainability with the global standards of corporate responsibility, thereby providing asset managers with a socially responsible investment indicator and which encourages the idea of being socially responsible among companies.

8.2. Energy consumption *(103: Energy)*

As part of its drive to protect the environment and sustainability, the company implements internal measures to reduce energy consumption at its facilities and minimise the environmental impacts of the services managed at the Group's work centres, and externally through environmental support initiatives.

By consuming energy, BME generates greenhouse gas emissions directly (consumption of natural gas and the corporate shuttle service) and indirectly (consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle).

A) Internal energy consumption *(102-48, 302-1, 302-3, 302-4, 302-5)*

The internal energy consumption is that contracted by BME (electricity and gas) for the performance of internal activities. BME's facilities have a substantial electricity usage, its main sources of energy from its supplier being hydroelectric, nuclear, thermal, wind and solar. Natural gas is only consumed in the employee canteen in the Las Rozas premises in Madrid, where the services are outsourced.

BME promotes different measures with the aim of reducing its electricity consumption, mainly due to lighting, climate control and IT equipment and thus reduce the emissions deriving from its activity. Of particular significance are the night-time and smart low consumption lighting systems, the replacement of HVAC systems or maintenance activities and the replacement of the IT equipment for more energy-efficient equipment with the *Epeat Energy Start* 6.0 certification accrediting higher energy efficiency, all in the interests of reducing the environmental impact it generates.

ELECTRICITY CONSUMPTION INDICATORS BY GEOGRAPHIC AREA (1)

Madrid	**2016**	**2017**	**2018**
Change in total consumption (GJ)	28,554.66	26,653.71	25,371.06
Number of employees	614	610	638
Consumption per employee (GJ/employee)	46.51	43.69	39.77

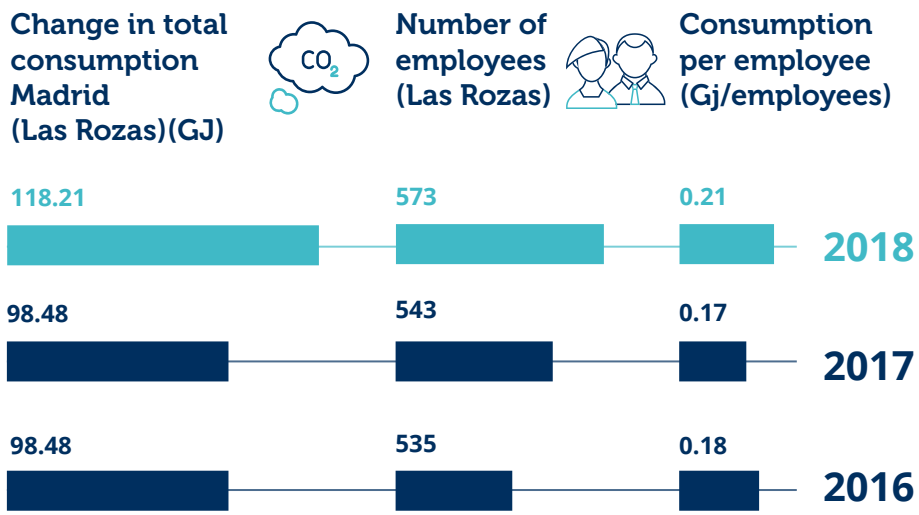
Barcelona	**2016**	**2017**	**2018**
Change in total consumption (GJ)	4,807.76	4,680.24 (2)	4,448.74 (3)
Number of employees	95	94	87
Consumption per employee (GJ/employee)	50.61	49.79 (2)	51.13 (3)

Bilbao	**2016**	**2017**	**2018**
Change in total consumption (GJ)	2,569.84 (4)	2,676.48	1,471.61
Number of employees	32	31	30
Consumption per employee (GJ/employee)	80.31 (4)	86.33	49.05

Valencia	**2016**	**2017**	**2018**
Change in total consumption (GJ)	1,087.28 (4)	936.36	958.68
Number of employees	21	20	15
Consumption per employee (GJ/employee)	51.78 (4)	46.82	63.91

(1) Electricity consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh = 0.0036 GJ.
(2) The energy consumption for the Barcelona office for 2017 and the consumption per employee for this period has been amended to include the data on estimated electricity consumption of the second half of 2017 in the Corporate Social Responsibility Report for 2017.
(3) Includes electricity consumption figures for the first six months of 2018 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2018.
(4) The energy consumption and energy intensity for the Bilbao and Valencia offices for 2016 and the consumption for this period have been amended as they were incorrectly stated in the BME Corporate Social Responsibility Report for 2016.

GAS CONSUMPTION INDICATORS *(302-1, 302-3)*



(1) In Madrid, only the Las Rozas building uses this type of energy.
(2) Gas consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh = 0.0036 GJ.

GENERAL ENERGY INDICATORS FOR BME [(1) (2)] *(302-1, 302-3)*

	2016	2017	2018
Total internal energy consumption (GJ)	37,019.54 [(3)]	35,045.27 [(4)]	32,368.30 [(5)]
Total number of employees	762	755	770
Total internal energy intensity (GJ/employee)	48.58 [(3)]	46.42	42.04

(1) Total electricity and gas consumption figures in gigajoules (GJ) as per GRI4 criteria. 1 kWh = 0.0036 GJ.
(2) The company's total internal energy intensity per annum is calculated by dividing total internal energy consumption (electricity and gas) by the number of employees in the Group.
(3) The energy consumption and energy intensity for the Bilbao and Valencia offices for 2016 have been amended as they were incorrectly stated in the BME Corporate Social Responsibility Report for 2016.
(4) Includes total electricity consumption figures for the Madrid, Barcelona, Bilbao and Valencia offices. The consumption data for Barcelona has been amended as this included estimated data on the electricity consumption for the second half of 2017 in the Corporate Social Responsibility Report for 2017.
(5) Includes total electricity consumption figures for the Madrid, Bilbao and Valencia offices. This includes electricity consumption figures for the first six months of 2018 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2018.

B) External energy consumption *(302-2)*

With regard to external energy consumption – energy consumption outside BME not bought directly by the Company – primarily derives from employees' commutes to and from work, (corporate shuttle service and private vehicle) and business trips (air and rail).

Although BME does not monitor its external energy consumption, it does implement measures to reduce the emissions generated in the performance of its activity, such as encouraging sustainable travel by using public transport instead of private transport (extension of the shuttle service) and financial assistance to use urban and interurban transport), prioritising the use of trains over airplanes for short distance business trips, promotion of technological tools as a means to holding meetings and the development of teleworking.

8.3. Greenhouse gas emissions *(103: Emissions)*

The Company invests time and effort in reducing the greenhouse gas emissions it generates through the monitoring of its emissions and the adoption of energy saving measures with the final objective of maintaining its greenhouse gas emissions at a stable level.

A) Greenhouse gas emission indicators *(102-48, 305-1, 305-2, 305-3, 305-4, 305-5)*

GREENHOUSE GAS EMISSIONS

TONNES CO_2 EQUIVALENT [1]

	2016	2017	2018
TOTAL EMISSIONS OF CO_2	**3,144.76**	**3,918.47**	**3,164.34**
Total direct emissions	**78.81**	**81.14**	**106.34**
Fuel consumption (natural gas)	5.60	5.60	6.72
Staff transport (corporate shuttle bus) [2]	73.21	75.54	99.62
Total indirect emissions	**3,065.95**	**3,837.33**	**3,058.53**
Electricity consumption	2,200.61	2,504.52 [3]	1,961.88 [4]
Business trips (by air)	317.15	735.27	511.28
Business trips (by train)[5]	27.19	67.54	37.37
Staff commutes to and from work (own vehicle) [6]	521	530	548
TOTAL NUMBER OF EMPLOYEES	**762**	**755**	**770**
TOTAL CO_2 EMISSIONS PER EMPLOYEE [7]	**4.13**	**5.19**	**4.11**

[1] In 2017, the Company used the CO_2 equivalent emission factors provided by DEFRA as the methodology for calculating the CO_2, CH_4 and $N2_O$ emissions. For comparative purposes, the emissions for natural gas, electricity and employee transport (own vehicle and corporate shuttle bus) for 2015 and 2016 have been adjusted in line with this new methodology.

[2] In accordance with the methodology described in footnote 1 above, this includes direct CO_2 emissions from the company's shuttle bus service.

[3] The CO_2 emissions for electricity have been calculated by applying the estimated value of the gross generation mix of electricity for 2017 (0.258 Kgs CO_2 per KWh).

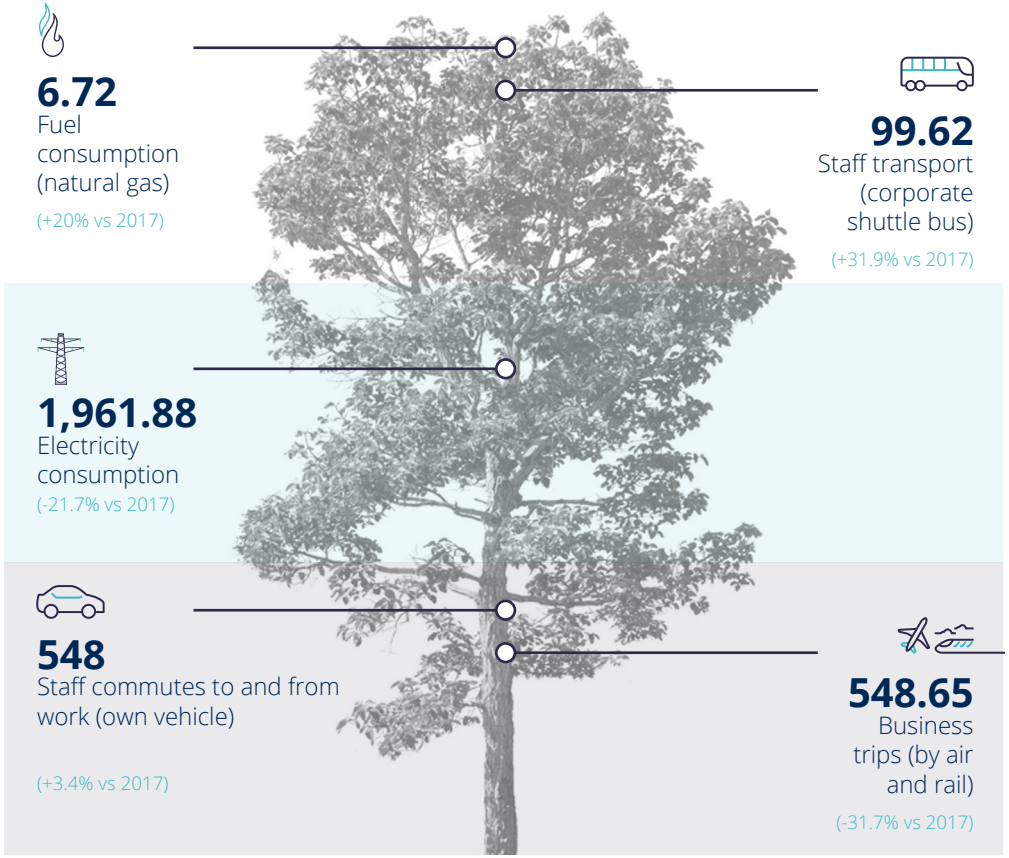
[4] Includes, in accordance with the methodology described in footnote 1 above, indirect emissions relating to business trips made by employees by train (does not include trips made by employees by train to the Majadahonda railway station to take the company shuttle service to the Las Rozas headquarters).

[5] Includes, in accordance with the methodology described in footnote 1 above, indirect CO_2 emissions relating to trips made by employees to their place of work using their own vehicles.

[6] Annual CO_2 emissions per employee were calculated by dividing total CO_2 emissions by the total number of employees in the Group each year.

GREENHOUSE GAS EMISSIONS BY SCOPES 31 DECEMBER 2018

TONNES OF CO_2 *(305-1, 305-2, 305-3)*



Scope 1 Scope 2 Scope 3

Performance of the last 3 quarters [1]

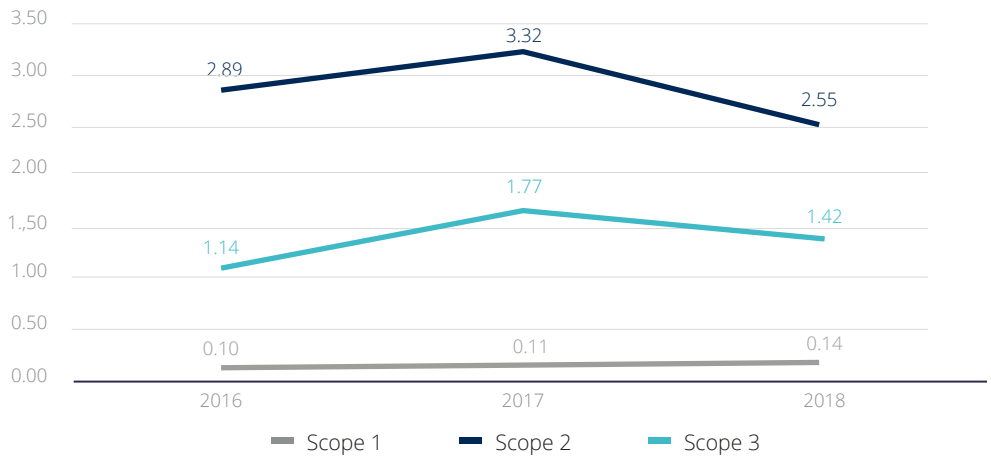
Scope *Tonnes CO_2*	Item	2016	2017	2018
Scope 1	Fuel consumption (natural gas)	5.60	5.60	6.72
	Employee transport (corporate shuttlebus)	73.21	75.54	99.62
Scope 2	Electricity consumption	2,200.61	2,504.52 [2]	1,961.88
Scope 3	Business trips (by air and rail)	344.34	802.80	548.65
	Staff commutes to and from work (own vehicle)	521	530	548

(1) Due to the change in the calculation of the gas emissions, the consumption of natural gas, electricity and employee transport (own vehicle and corporate shuttle bus) for 2016 have been amended.
(2) The emissions deriving from energy consumption for 2017 have been amended to update the estimated emissions data on electricity consumption for the second half of 2017 for the Barcelona office stated in the Corporate Social Responsibility Report for 2017.

Annual figures are also presented for the intensity of the company's greenhouse gas emissions for each scope. These figures are calculated by dividing total CO2 emissions by the total number of employees in the group. The intensity of emissions can be used to determine the organisation's environmental efficiency and performance.

INTENSITY OF GREENHOUSE GAS EMISSIONS

TONNES OF CO_2 / EMPLOYEE *(305-4)*



B) National Registry for Greenhouse Gas Emission Allowances *(201-2)*

BME considers that the management through Iberclear of the National Registry of Greenhouse Gas Emission Rights (RENADE) is an opportunity derived from climate change, which supports the National Administrator of Emission Rights, meeting all the requirements of the European Commission and the United Nations through the Spanish Office for Change Climate (OECC).

RENADE is the instrument which ensures the publicity and constant updating of the ownership and control of the greenhouse gas emission allowances of companies in Spain.

In this regard, RENADE provides industrial facilities with the technical and human resources necessary to comply with their annual obligation of turning over to the government allowances in an amount equivalent to CO2 emissions made during the prior year.

Materiality of the Report

BME
BOLSAS Y MERCADOS ESPAÑOLES

Scope of the information and standards used in the report

This non-financial information report (Corporate Social Responsibility Report) includes information relating to 2018 for all the activities and services provided by the Company. Where deemed appropriate, it also includes information from previous years for comparison.

It has been prepared in accordance with the content established for the preparation of the Sustainability Reports by the GRI Standards and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts, regarding non-financial information and diversity, which has resulted in changes in the information presented in this report compared to previous years without such having been restated.

GRI principles for gathering content

The structure and content of this report is based on the principles established by GRI for the preparation of sustainability reports, as indicated below:

- **Stakeholder engagement**. The preparation of this report has been carried out attending to the interests and expectations of the stakeholders in relation to the functioning of BME, which has been received, via the managers of the Company that interact with them.
- **Context of Sustainability**. An evaluation has been carried out of the relationship between the activities and services provided by BME with the social, economic and environmental context in which the Company operates.
- **Materiality**. A materiality analysis has been performed to define and identify the most significant aspects for BME with regard to sustainability, the methodology of which is detailed below.
- **Thoroughness**. After the identification of the material aspects for BME, information regarding these has been included with a view to facilitating the stakeholders' evaluation of the economic, social and environmental performance of the Company in recent years.

GRI Principles for the processing and quality of the information *(102-46)*

The principles established by GRI to guarantee the quality of the information have also been taken into account in the preparation of the report:

- **Balance**. According to this principle, the sustainability reports must reflect both the positive and negative aspects of the Company's performance. Through its application, an objective and complete view is obtained of the general performance of BME.
- **Comparability**. The Company has gathered information on a regular basis and it has been included in the contents with the aim of its stakeholders being able to analyse the progress of its performance in recent years, and compare it to that of other organisations.
- **Accuracy**. The information provided is stated in sufficient detail to cover the expectations indicated by the stakeholders.
- **Punctuality**. Following the same pattern as in recent years, BME will continue updating the content of its non-financial information report (Corporate Social Responsibility Report) annually with the aim of facilitating regular information to its stakeholders.
- **Clarity**. The Company wishes to present information on its performance in a manner that is accessible and clear for all stakeholders.
- **Reliability**. This report details the process followed for its preparation. With this, BME guarantees that the content of the report may be subjected to external evaluation to judge the quality and materiality of the information.

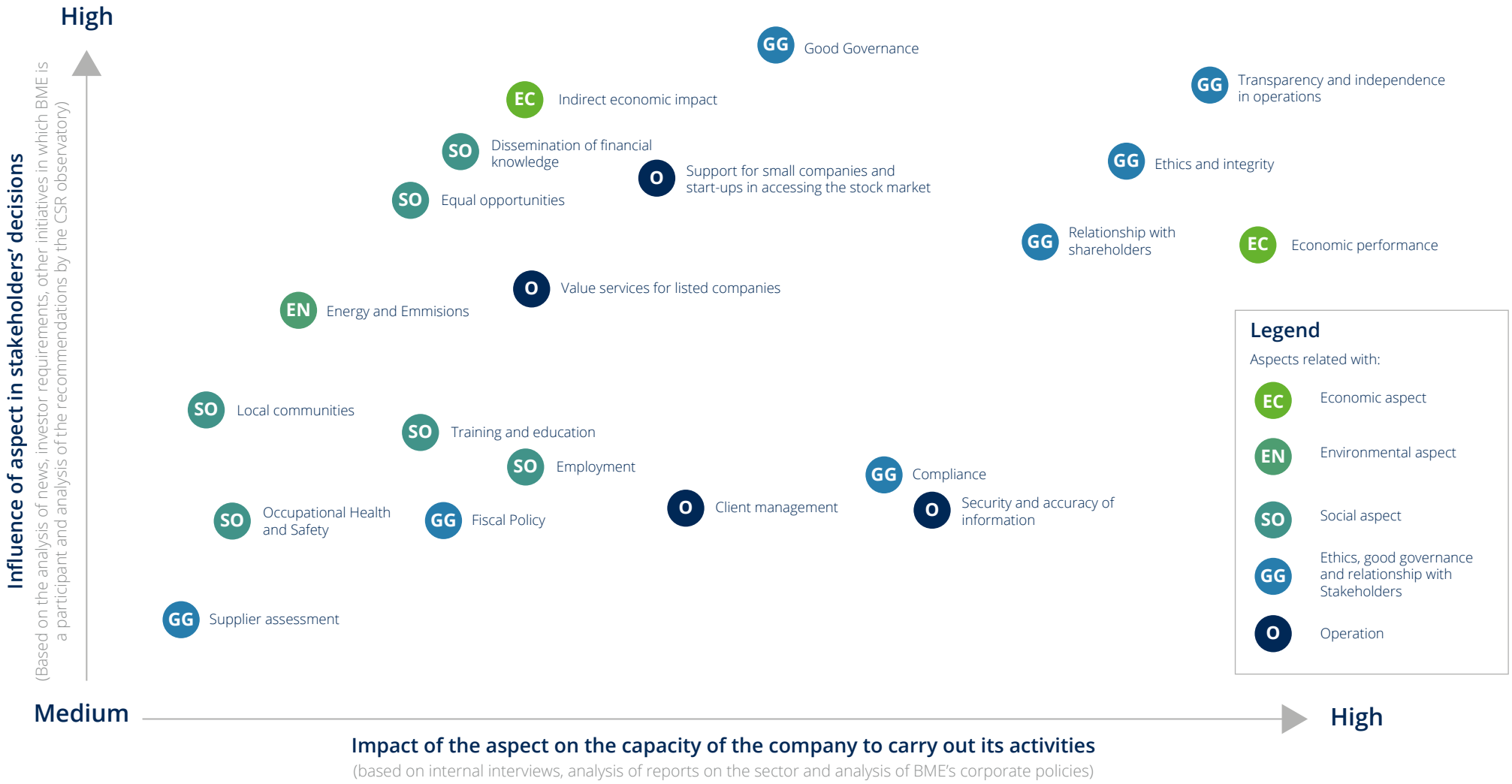
Materiality analysis *(102-46)*

Pursuant to that established in the GRI Standards, this document contains information on the indicators corresponding to those aspects of sustainability deemed as material. For this, a specific analysis has been performed in which BME has identified the key issues, either because they affect the decisions that its stakeholders may make or because they are critical to the long-term success of the Company.

The activities carried out for this materiality analysis consist of:

- **Meetings** with managers and directors in key areas of the Company.
- **Benchmarking** of other international companies in the stock exchange sector.
- **Analysis of investor requirements with regard to corporate social responsibility** based on the analysis of contents/indicators requested through initiatives such as the *Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project – Climate Change (CDP), FTSE4Good.*
- **Analysis of key aspects with regard to corporate social responsibility in other initiatives in which BME participates**, such as *Sustainability Stock Exchange (SSE)* and the United Nations Global Compact.
- **Analysis of the recommendations for the Company's *reporting* made by the Corporate Social Responsibility Observatory**.
- **Analysis of press dossiers** compiled by the Company over the last year.
- **Analysis of *BME's Corporate* Policies**, including, the Code of Conduct, Crime Prevention Guidelines, Tax policies and principles, and Policies for the processing and transmission of insider information.

The result of these actions has allowed the following materiality matrix to be created for the Company:



The following table specifies the specific coverage of each one of these material aspects.

	Coverage [1]	
Material aspect *(102-47, 103-1)*	**Organisation**	**Outside of the organisation**
Economic performance	√	√
Indirect economic impact		√
Energy and emissions	√	√
Health and safety in the workplace	√	
Local communities		√
Training and education	√	
Employment	√	
Equal opportunities	√	
Dissemination of financial knowledge		√
Supplier appraisals	√	√
Fiscal policy	√	
Regulatory compliance	√	
Good governance	√	
Relationship with shareholders		√
Ethics and integrity	√	
Transparency and independence in operations	√	√
Value services for listed companies	√	√
Client management		√
Support for SMEs and start-ups in accessing the stock market	√	√
Security and accuracy of information	√	√

(1) BME's activities generate positive and negative impacts on sustainability. The coverage of each aspect refers to the place where these impacts occur (within the organisation and/or outside), with a description of their nature throughout the report

Once these material aspects were identified and their coverage determined, the collection of information to prepare the report was performed based on interviews and sending information gathering sheets to managers within the Company.

Having received this data and the contextual information obtained through the activities carried out in the materiality analysis, BME has prepared the final version of this report. The sections where the information relating to each one of the indicators required by the said international standard are identified on the GRI table of contents included in the following section.

In those cases in which it has not been possible to cover all the requirements of the guidelines when reporting on a specific indicator, this has been detailed on the aforementioned table. The Company also undertakes to improve its information systems with the aim of having all the data required for future reports.

Further information *(102-53)*

If you would like additional clarification regarding the information included in this document, or on the Company's activities concerning sustainability, you may contact BME at the following address: sconsejo@grupobme.es

Non Financial Information Content Index

BME
BOLSAS Y MERCADOS ESPAÑOLES

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	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
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	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	There are no risks of violations of, or threats to, the freedom of association and collective bargaining at any of the Company's locations or suppliers.	
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Measures adopted in the fight against corruption and bribery	**103**	Management approach: Anti-corruption	2.3.B)	341-343
			5.3	378
	205-1	Operations assessed for risks related to corruption	2.3.B)	342
	205-2	Communication and training about anti-corruption policies and procedures	2.3.B)	341-343
	205-3	Confirmed incidents of corruption and actions taken	2.3.B)	341-343
Measures to combat money laundering	**205-2**	Communication and training about anti-corruption policies and procedures	2.3.B)	341-343
Contributions to foundations and not-for-profit entities	**413-1**	Operations with local community, engagement, impact assessments, and development programs	7.4	400
V. INFORMATION ON THE COMPANY.				
Commitment of the company to sustainable development				
Impact on local development and employment	**103**	Management approach: Indirect economic impacts	7	395
	203-1	Infrastructure investments and services supported	7.3	399
	203-2	Significant indirect economic impacts	7.2	397-398
			7.3	399
	204-1	Proportion of spending on local suppliers	6.1	391
	413-1	Operations with local community, engagement, impact assessments, and development programs	7.4	400

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Impact on the local population and area	**413-1**	Operations with local community, engagement, impact assessments, and development programs	7.4	400
	413-2	Operations with significant actual and potential negative impacts on local communities	7	394-395
Relations with actors in local communities	**102-43**	Approach to stakeholder engagement	BME establishes the frequency in the relationship with its main stakeholders, depending on business needs. BME has taken into account the main expectations mentioned by these stakeholders in the preparation of the report. To do so, it has requested information and opinions from the managers of the Company with whom it has worked to define the report contents.	
			1	329
Association and sponsorship actions	**102-12**	External initiatives	Annual Corporate Governance Report	
			2.2	337
	102-13	Membership of associations	7.1	396
			7.4	400
Subcontracting and suppliers				
Purchasing policy	**103**	Management approach: Supplier social and environmental assessment	6.2	392-393
Supervision and audits	**103**	Management approach: Supplier social and environmental assessment	6.2	393
	308-1	New suppliers that were screened using environmental criteria	6.2	392-393
Purchasing policy and relations with suppliers and subcontractors	**102-9**	Supply chain	6.2	392-393
	414-1	New suppliers that were screened using social criteria	6.2	392

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Consumers				
Measures for the health and safety of consumers	**103**	Management approach: Customer health and safety	4.2	365
	416-1	Assessment of the health and safety impacts of product and service categories		
Claims systems, complaints received and their resolution	**103**	Management approach: Customer health and safety		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
Tax information				
Profit by country and income tax	**103**	Management approach: Economic performance	2.2	338
	201-1	Direct economic value generated and distributed	Annual financial statements	
			2.2	338
			3.3	360
Public subsidies received	**201-4**	Financial assistance received from government	2.4.B)	345

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
OTHER SIGNIFICANT INFORMATION				
Other information about the company's profile				
Other information on the company's profile	**103**	Management approach: Anti-competitive behaviour, public policy and socieconomic compliance	2.2	337
			2.4.B)	341
			5	368
	102-1	Name of the organization	Cover	319
	102-5	Ownership and legal form	Annual Corporate Governance Report	
			1	326
	102-10	Significant changes in the organisation and its supply chain	2	333
			6.2	392-393
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	
			2.2	336-337
	415-1	Political contributions	2.4.B)	345
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no complaints regarding breaches of client privacy and losses of client data	
	419-1	Non-compliance with laws and regulations in social and economic areas	Annual financial statements	
			4.1	363
			5	368

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Corporate governance				
Corporate governance	**102-18**	Governance structure	Annual Corporate Governance Report	
			2.5.A)	346-350
	102-19	Delegating authority	Annual Corporate Governance Report	
			2.5.A)	348-349
	102-20	Executive-level responsibility for economic, environmental, and social topics	Annual Corporate Governance Report	
			2.5.A)	348-349
	102-22	Composition of the highest governance body and its committees	Annual Corporate Governance Report	
			2.5.A)	346
	102-23	Chair of the highest governance body	Annual Corporate Governance Report	
			2.5.A)	348
	102-24	Nominating and selecting the highest governance body	Annual Corporate Governance Report	
	102-25	Conflicts of interest	Annual Corporate Governance Report	
	102-26	Role of highest governance body in setting purpose, values, and strategy	Annual Corporate Governance Report	
			Report on the Activities of the Board of Directors	
	102-27	Collective knowledge of highest governance body	This company Report includes the most recent materiality analysis in which the most relevant aspects for the company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues.	
	102-28	Evaluating the highest governance body's performance	Annual Corporate Governance Report	
			Report on the Activities of the Board of Directors	
			Report on the Activities of the Appointments and Remuneration Committee	

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Corporate governance	**102-29**	Identifying and managing economic, environmental, and social impacts	Annual corporate governance report	
			2.1	335
			2.3.B)	343
			2.5.B)	352-353
	102-30	Effectiveness of risk management processes	Annual corporate governance report	
			2.1	335
			2.3.B)	343
			2.5.B)	352-353
	102-31	Review of economic, environmental, and social topics	Annual corporate governance report	
			Report on the activities of the board of directors	
	102-32	Highest governance body's role in sustainability reporting	The Board of Directors approves the annual Corporate Social Responsibility Report.	
	102-33	Communicating critical concerns	Annual Corporate Governance Report	
	102-34	Nature and total number of critical concerns	2.3.B)	341-343
	102-45	Entities included in the consolidated financial statements	Annual financial statements	
			1	331

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Stakeholder engagement				
Stakeholder engagement	**102-40**	List of stakeholder groups	1	329
	102-21	Consulting stakeholders on economic, environmental, and social topics	The Board of Directors is informed on all relevant economic, environmental and social matters that arise in the dialogue between the Company with its stakeholders and the areas, units and departments involved in relation to the former.	
	102-42	Identifying and selecting stakeholders	The stakeholders have been selected according to the relevant criteria for the Company and its activities.	
			1	329
	102-44	Focal areas for the participation of stakeholders| Key topics and concerns mentioned	The report only includes information concerning the satisfaction questionnaires relating to the educational activities.	
		Key topics and concerns raised	The contents of the report respond to the main expectations detailed by BME stakeholders. Result of the interaction with the interest groups, no problems detected that the company considers as key.	
			2.4.A	344
Other useful information on the preparation of the document				
Other useful information on the preparation of the document	**103**	Management approach: Explanation of the material topic and its Coverage	Materiality of the report	409-412
	102-46	Defining report content and topic Boundaries		
	102-47	List of material topics		412
	102-48	Restatement of information.	6.1	390-391
			8.2.A	403-404
			8.3.A)	405-407

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Other useful information on the preparation of the document	**102-49**	Changes in reporting	There are no significant changes in relation to the scope and coverage of the material aspects identified in this report compared to the Sustainability Reports published in previous years.	
	102-50	Reporting period	2018	
	102-51	Date of most recent report	2018	
	102-52	Reporting cycle	Anual	
	102-53	Contact point for questions regarding the report	Materiality of the report	412
	102-55	GRI content index	Non-financial information content index	
	102-56	External assurance	The Company has requested and independent review of the non-financial information statement (Corporate Social Responsibility Report).	

No relevant omissions have been identified in the information required by the GRI standards.

Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas financieros, S.A.

Auditor's report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. for the 2018 financial year

BME
BOLSAS Y MERCADOS ESPAÑOLES

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor´s report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. for the 2018 financial year

To the Board of Directors:

In accordance with the request of the Board of Directors of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("BME" or "Entity") and our engagement letter dated October 15, 2018, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in the Annual Corporate Governance Report of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. for the 2018 financial year, which includes a summary of the BME 's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts, and pursuant to Technical Auditing Standards, our evaluation of Entity's internal control was performed for the sole purpose of allowing us to establish the scope, nature and timing of the audit procedures applied to the Entity's annual accounts.

Consequently, our appraisal of internal control, performed for the purposes of the audit of the accounts, did not have a sufficient scope to allow us to issue a specific opinion on the effectiveness of internal controls for regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the BME's annual financial information for the 2018 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Management' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Entity´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Ignacio Martínez Ortiz (23834)

February 28, 2019