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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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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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.

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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.

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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