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.

BME 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**

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**

(*) 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.

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**

	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

(*) 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.

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.

Financial Year 2017

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).

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".

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.

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 Operating	Results Net	Non-controlling interests
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.