



Letter from the Chief Executive Officer

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Dear shareholders,

BME finished a positive year for the markets in 2019, but the environment of low interest rates, reduced volatility and moderate trading volumes in the main Equity markets around us were detrimental to the Company's results.

As regards BME's activity, we once again focused our efforts on transforming the company to consolidate ourselves as the benchmark market infrastructure provider for financial institutions, relying on technological development and the talent of our professionals.

Results

BME obtained a net profit of 122.8 million euros in 2019, which represents a decrease of 9.9% compared to the previous year. Net income was 285.4 million euros, 6.2% less, while operating costs fell 2.2% to 115.5 million euros.

The return on equity (ROE) outstripped peer companies again this year: it finished the year at 31.7%, which means that it is 13.6 percentage points better than the average value of the sector.

The ratio of non-volume revenues stood at 126%, four percentage points above the 2018 figure. This figure reflects the lower dependence of BME's results on the volume cycle, an exogenous issue over which we have no control.

Growth of financing via the stock market

One of the clearest lessons of the last financial crisis is the importance of diversifying companies' sources of finance, to make them less dependent on bank credit. Economies with a better balance between bank and capital markets funding overcame this adversity faster and more effectively. Spanish companies have taken due note of this, and 2019 was a relevant year in the transformation of the financing structure of listed companies.

This goal, which is promoted by the Capital Markets Union, connects with BME's core activity, insofar as it offers companies different alternatives to finance themselves through the markets.

Last year, new flows of investment and financing in shares stood at 16.71 billion euros, ranking the Spanish stock market thirteenth in the world and second in the EU, according to data provided by the World Federation of Exchanges (WFE).

The growth in financing through capital increases was especially significant. These operations amounted to 13.36 billion euros, 32.62% more than in 2018.

It is true that the new IPOs were scarce again, since the main market took in a single new share (Greenergy), while in the MAB, BME's Growth Market, there were 22 additions. The strong growth registered by the alternative markets of BME, MAB and MARF, BME's Fixed Income market, are the best sign of this change in the business financing model.



Javier Hernani, BME CEO

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BME offers companies the Pre-Market Environment ("EpM") before they reach MAB or the Main Market, as a project that allows them to rehearse their market listing. At the end of the year there were already 12 companies in the EpM, which offers them training and greater access to investors.

Another of the year's key markets was again the MARF. The outstanding balance of this BME market grew 54% last year, and by the end of 2019, 78 companies had financed themselves through this alternative Fixed Income market since its creation in 2013. Of these, six are Portuguese, demonstrating the interest shown by companies in the flexibility of this financing instrument.

The stock market is the ideal setting to diversify the financing of companies and strengthen their balance sheets. BME's job is to continue offering a multitude of access routes to it, so that each company can choose the one that best suits their needs.

Other highlights of the year

There are many milestones that marked the last year for BME, one in which we focused on continuing to improve our services. Some of the highlights of 2019, distributed by business areas, were as follows:

Flows channelled of listed shares amounted to 15.35 billion, up by 42.4%, thanks to capital increases.

Fixed Income trading on BME platforms rose last year by 63.1%.

The total volume of Financial Derivative contracts traded on BME increased last year by 3.3%, to 44.9 million contracts. We launched the new xRolling Fx product.

BME Clearing's net income grew by 2.2% in the fourth quarter of the year. Activity in energy segments such as gas and electricity has increased.

In 2019 Iberclear obtained the licence from the regulator to continue to provide its services in accordance with the requirements established in the Regulation on improving securities settlement in the European Union, also known as CSD Regulation.

At Market Data we have refocused business based on the consolidation of the traditional services offered and, in parallel, the creation of new products and services such as the LED project in Latin America to provide market data from the region.

In the area of Value-Added Services, new projects have been implemented such as the empowerment of the Regulatory Solutions Hub (RegTech Solutions) or the Innovation Labs project, with the Artificial Intelligence and DLT laboratories.

Finally, as you know, BME has received a tender offer for the acquisition of 100% of its shares by the Swiss group SIX, which is subject to the acceptance of 50% of the shareholders. As I write these lines already the Spanish Government and the stock market supervisor (CNMV) have officially authorised the transaction. The offer includes an industrial plan which enhances BME's strategy. The Board of Directors has qualified the Offer and the Transaction as amicable.

Our strategy, our investment plan and organisational efforts will continue to be focussed on improving this business model and transforming it towards the future: enhancing our range of products and services, listening carefully to our clients, and making BME part of the technology revolution that is already taking place.

We intend to remain front-line competitors to achieve growth that allows us to increase our size and specific weight, giving priority, as we have to date, to the generation of value for our shareholders.

Thank you very much.

Javier Hernani.
Chief Executive Officer