



Letter from the Chairman

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Dear shareholders,

I am pleased to present the Annual Report for 2019, a favourable year for securities markets in terms of yield. Both equity and fixed-income markets performed well, despite expectations of a more sustained recovery in world economic growth not being met. This factor prevented the main central banks from returning to normalised monetary policies and led to further cuts in interest rates, which in some cases even entered negative territory.

In Europe, especially in the Eurozone, the economic slowdown - already visible at the end of 2018 - was exacerbated by the downturn in the German industrial sector and the uncertainty generated by Brexit. Meanwhile, the Spanish economy confirmed its entry into a more mature phase of the cycle.

Against this backdrop, global stock markets closed 2019 with gains of over 20%; offsetting the previous year's losses of 10%. The Euro STOXX 50 rose 24.8%, in line with France (+26.4%), Switzerland (+25.9%), Germany (+25.5%) and the Netherlands (+23.9%). The IBEX 35® increased by 11.8%, dragged down by the poor relative performance of the banking sector, which has considerable weight in the Spanish stock market. The Dow Jones gained 22.3%; the S&P 500 was up 28.9% and the benchmark Nasdaq 100 technology sector index increased by almost 38%. There was an 18.2% rise in the Nikkei index, while the MSCI EM showed a 15.1% growth in emerging market yields. More detailed information on all this is given elsewhere in the Report.

In 2019, the Spanish stock market was once again one of the international leaders in dividend yield, with a ratio of 4.5%, particularly attractive in an environment of interest rates close to zero. Without doubt, this is one of the attractions of the Spanish stock exchange for international investors, who own 48% of the total value of listed Spanish companies.



Antonio J. Zoido, BME Chairman

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In absolute terms, total shareholder return reached 31,706 million euros in 2019, up 5.3% on the previous year. In this same period, total market capitalisation increased by 11.5% to once again exceed one trillion euros.

The solidity of the Spanish stock exchange was also reflected in the technical quality of its market operations, one of our key characteristics and to which we have always given our full attention and resources. At the end of 2019, the BME equity market maintained its benchmark position for Spanish listed securities, both in price spreads and the depth of its order book.

Despite all these positive factors, we must point out that the rise in prices occurred with lower levels of volatility and trading. According to the VIBEX index, the average daily implied volatility for the year was 13.7%, which represents a drop of 1.3 points compared to 2018 and 10 points compared to 2016.

BME's results

BME's 2019 earnings reflect this low level of equity trading activity. The Company recorded a profit of 122.8 million euros, 9.9% less than in the previous year. These results represent earnings per share of 1.48 euros.

It is also important to emphasise that BME closed the year with efficiency and return on equity ratios once again above those of other comparable market operators, demonstrating the solvency of its business model.

BME's CEO, Javier Hernani, takes a more in depth look at these figures in his welcome letter and there is extensive information on the financial data throughout this extensive Report.

Finally, I would like to refer to the takeover bid for BME's entire share capital that the company received on November 18, from the Swiss operator SIX Group and which, without a doubt, has been one of the main milestones in the Company's year. The offer includes an industrial plan which enhances BME's strategy and the Board of Directors has issued a favourable opinion on the tender offer.

I would like to end, by stressing the key role of markets in business financing. Spain continues to make positive progress along the right path. The belief that excessive leverage needs to be reduced, that more capital is needed, and, in short, a more evenly distributed overall financial balance sheet, is now generally accepted.

Changes in financing, technology and communication will lead to mechanisms where equity has a greater role and debt a lesser one. The end of the excessive weight of bank funding, the available technology and the existing communication culture, will lead to new substitution mechanisms, an increase in the importance of equity compared to debt, and to the use of other assets that can support the various different items on companies' balance sheet.

The results presented in this annual report are satisfactory and place BME in a favourable position to compete in the face of the challenges that lie ahead of us. The Company is ready to make the decisions necessary to ensure its continued growth.

Thank you very much.

Antonio J. Zoido
Chairman