
BUSINESS PERFORMANCE

January–September 2018

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Results

Business Units

Financials

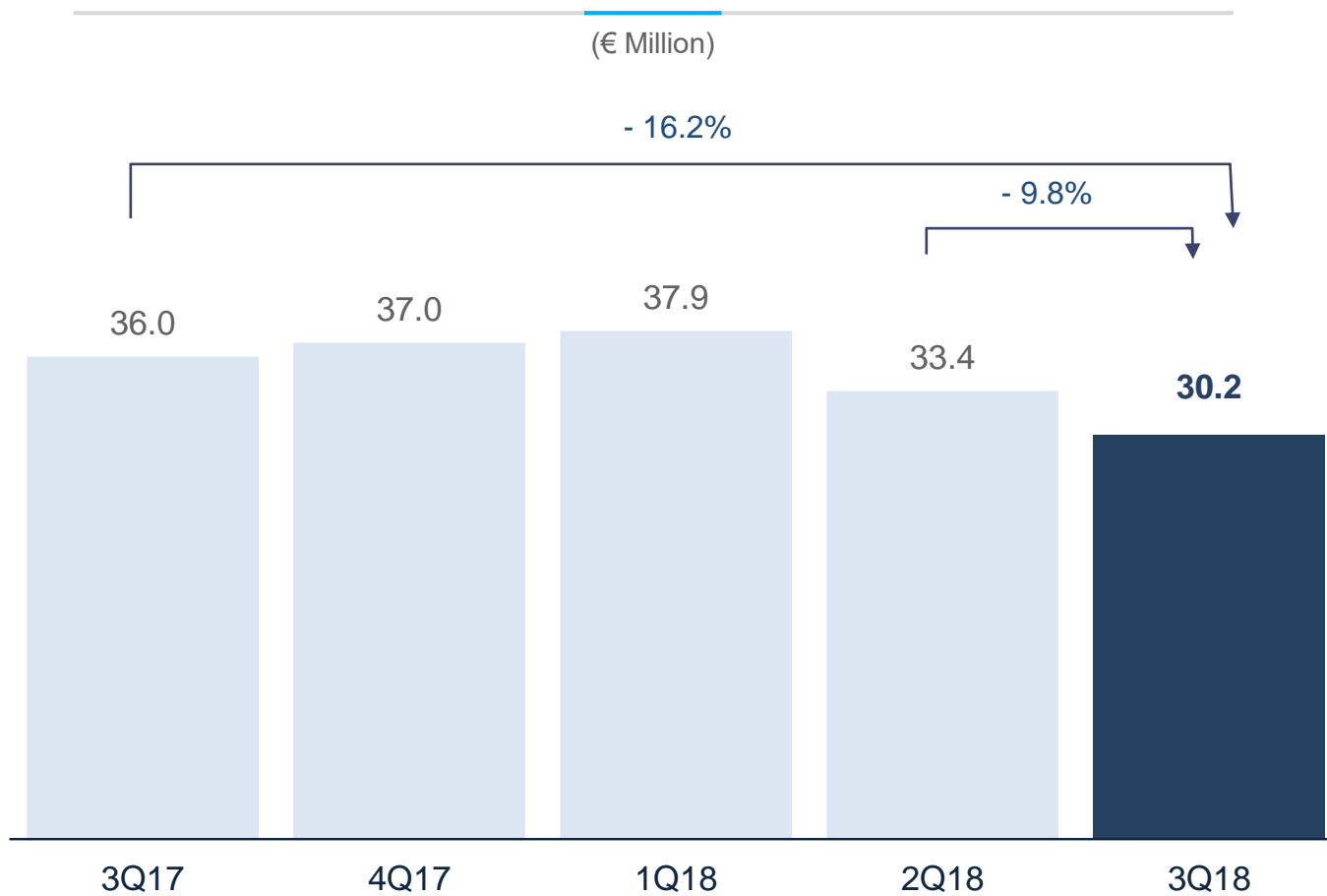
Business Drivers

Strategic Plan 2019-2021



RESULTS

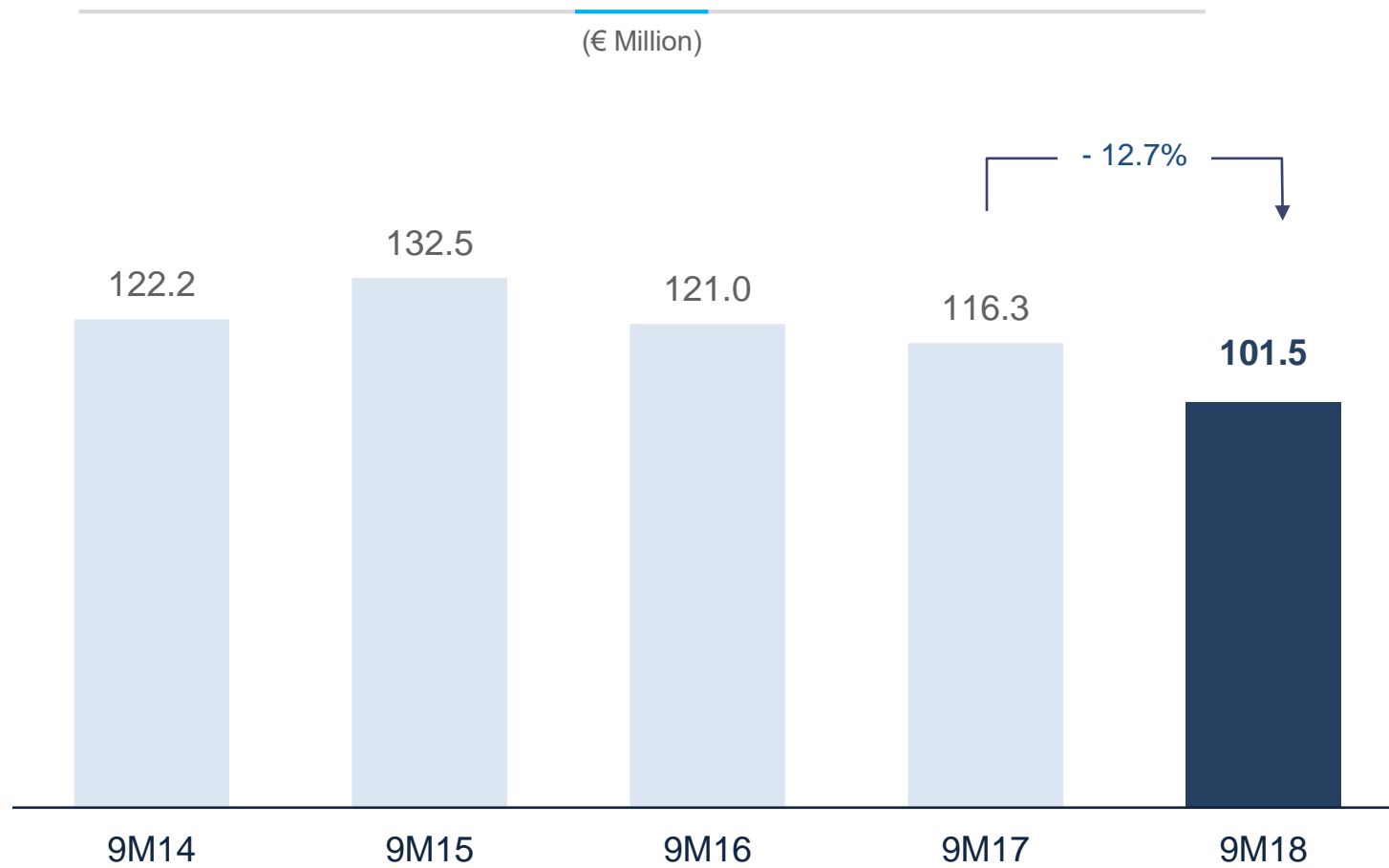
Net Profit





RESULTS

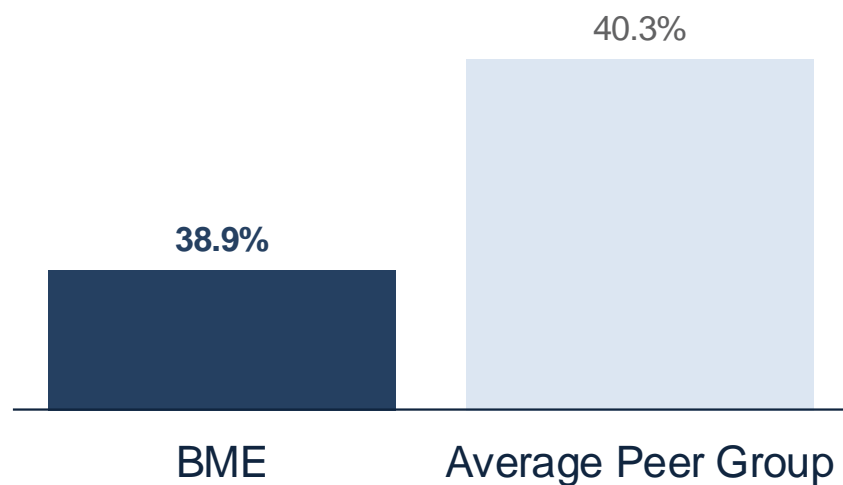
Net Profit



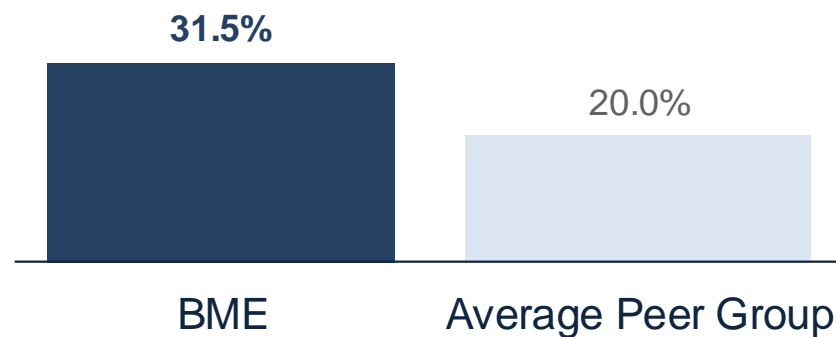
RESULTS

Key ratios benchmarking

- Efficiency



- ROE



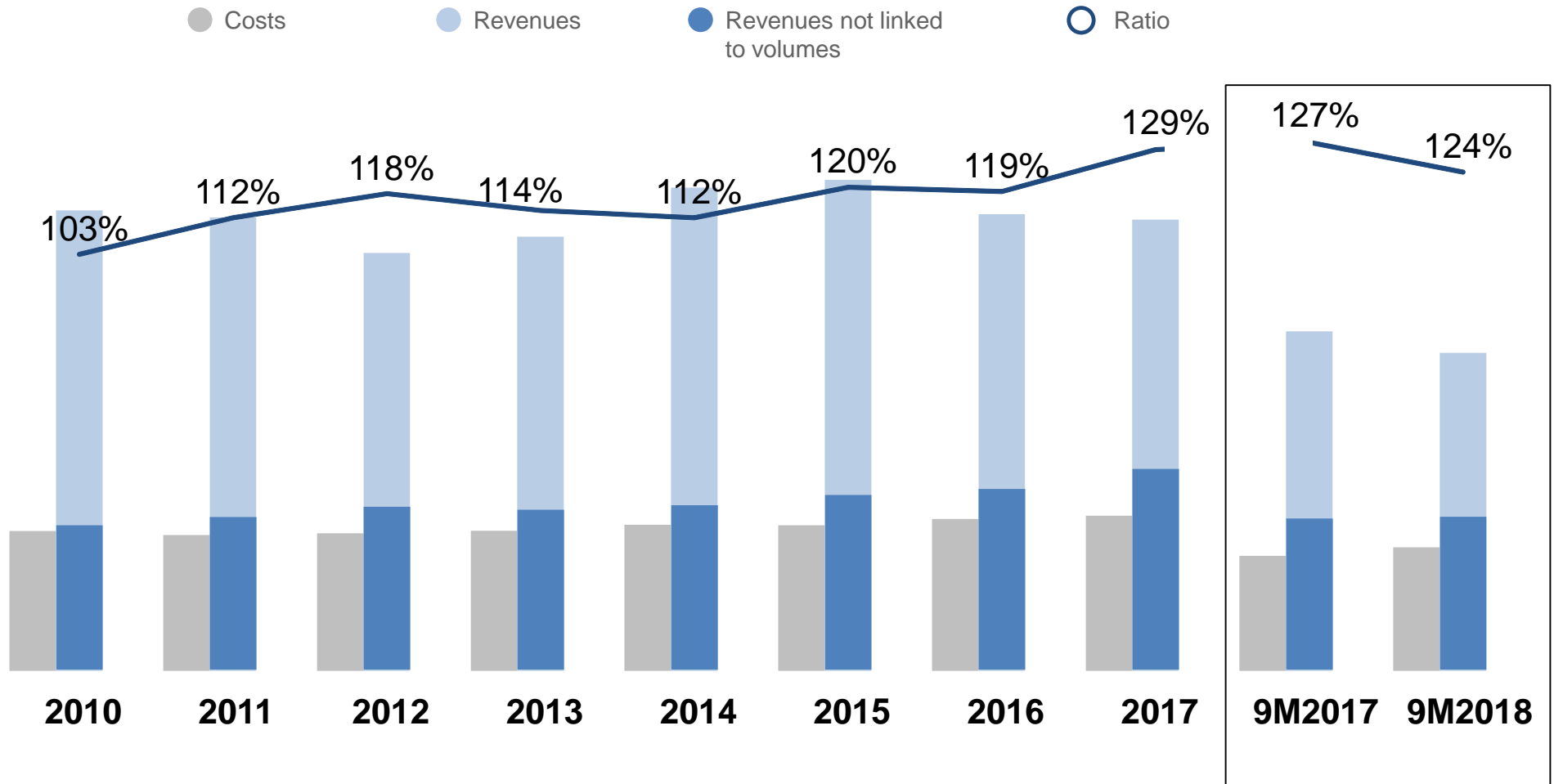
- BME's data as of 30/09/2018.

- Average peer Group figures are calculated using last results published and not taking account of goodwill impairment charges.



RESULTS

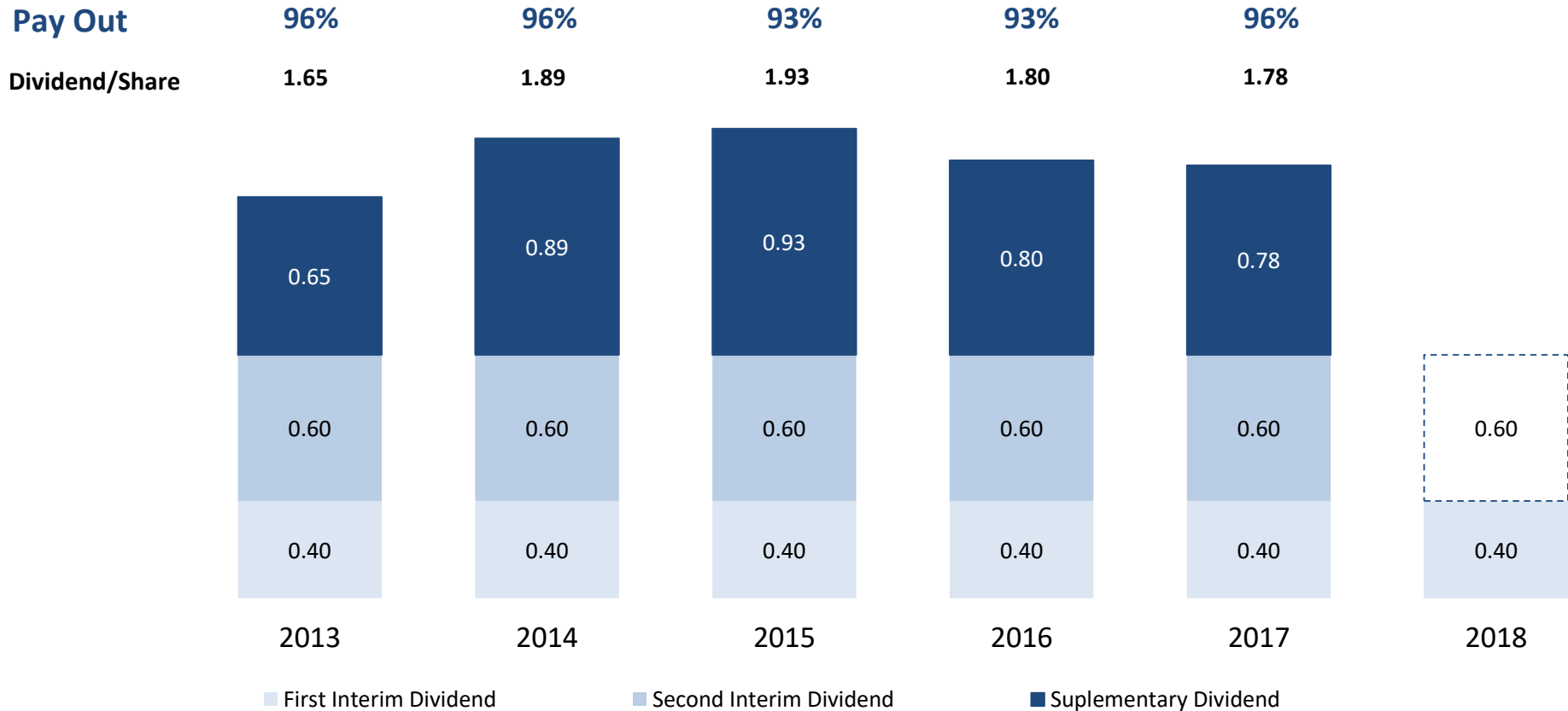
Solid operating leverage





RESULTS

Dividends: Maximizing shareholders' returns



Sustainability of Pay-Out

Interim dividend proposal: 0.60 €/share (28th December 2018)

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Results

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Business Drivers

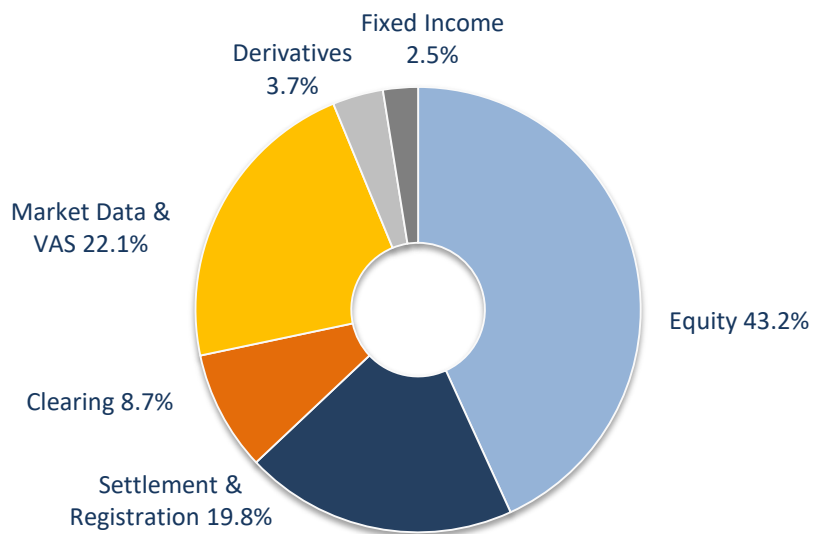
Strategic Plan 2019-2021



Business Areas

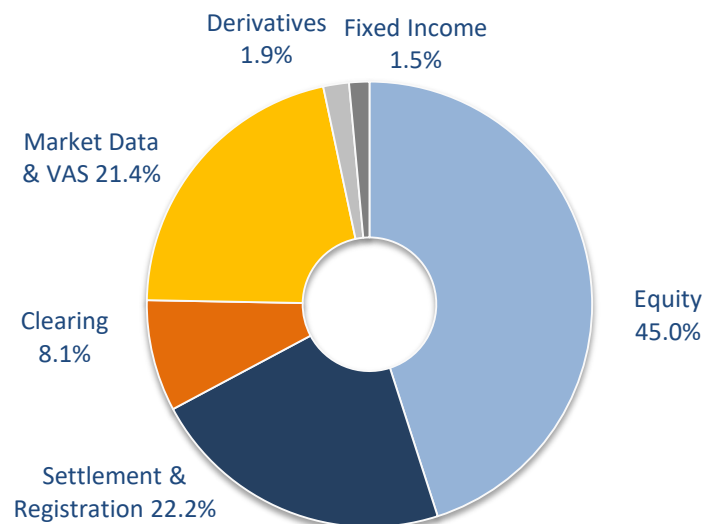
Consolidated Net Revenues

9M 2018 - %



EBITDA

9M 2018 - %

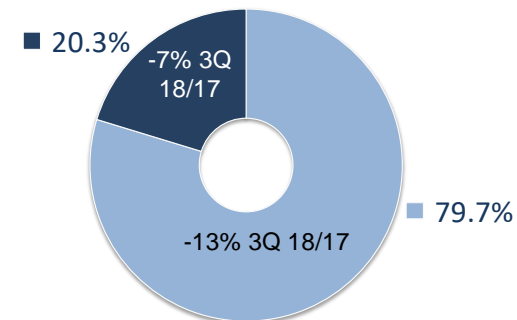




Equity Market

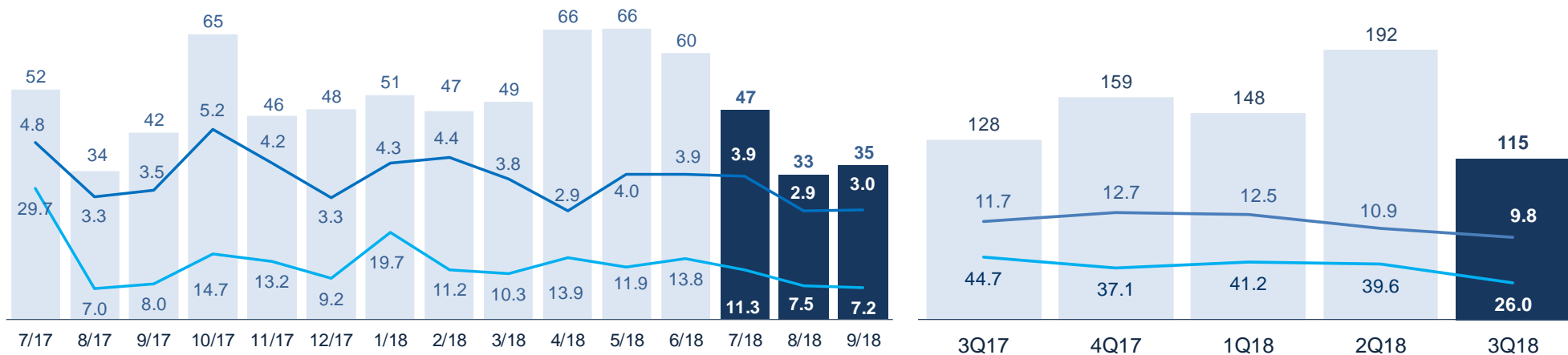
| Thousands of € | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 29,497 | 33,460 | -11.8% | 97,096 | 109,547 | -11.4% |
| Operating Costs | (10,022) | (10,399) | -3.6% | (30,178) | (30,973) | -2.6% |
| EBITDA | 19,475 | 23,061 | -15.6% | 66,918 | 78,574 | -14.8% |

■ Per trade and regarding characteristics of the orders
 ■ Listing and other services



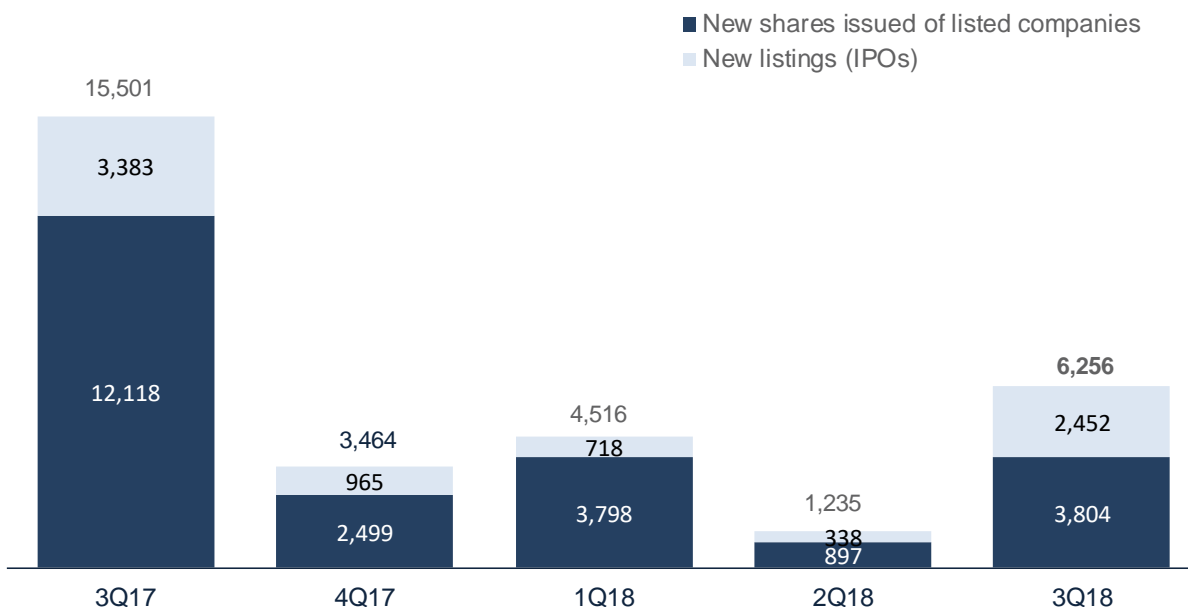
Equity (Turnover. number of trades and number of shares traded)

● Turnover (€ Billion) ○ Shares (Billion) ○ Trades (Million)



Equity Market

Listing activity



Total investment flows channeled to the Exchange in 3Q18 reached €6.3 billion.

The third quarter reached €2.5 billion in IPOs, the best since 3Q17. Berkeley Energía went listed to the Exchange, while 10 new SOCIMIs (REITs) and one company in the Growth segment have joined the MAB.

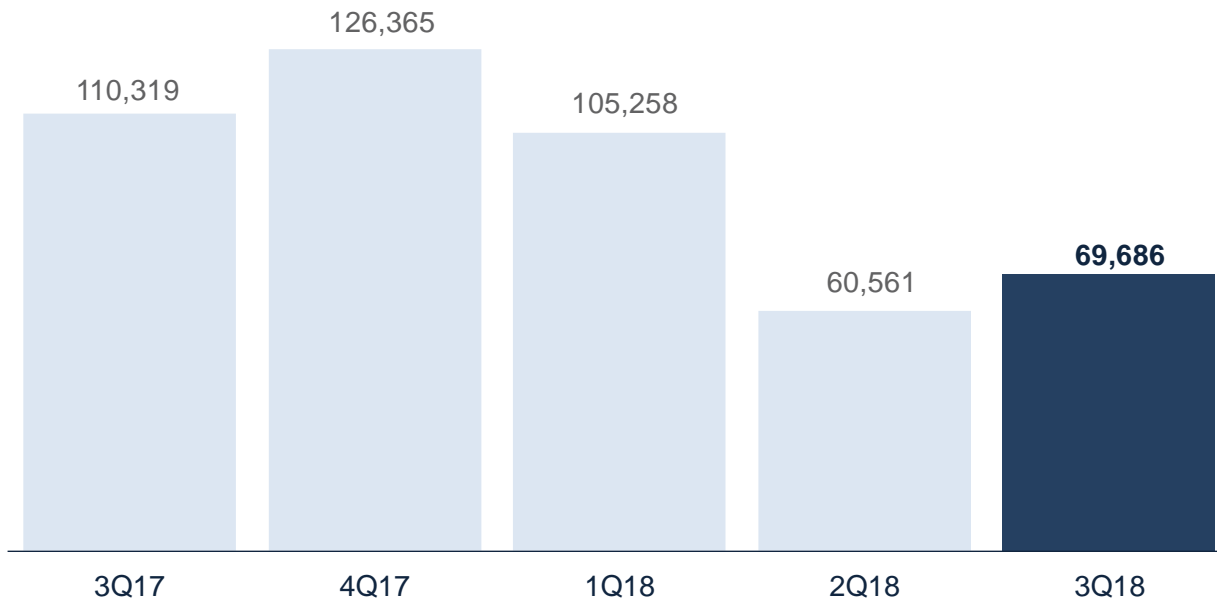
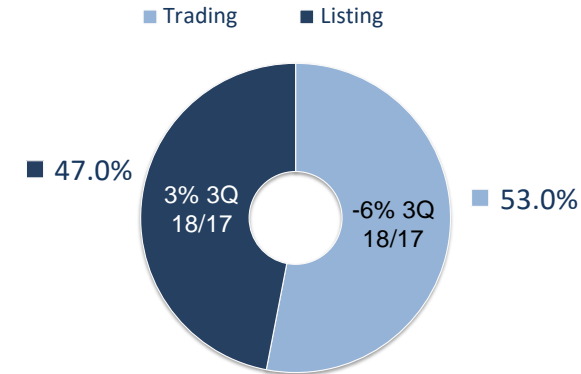
Listed companies issued new shares for €3.8 billion in the quarter.

Source: FESE (Federation of European Stock Exchanges)



Fixed income

| Thousands of € | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|------------|------------|-------------|--------------|--------------|---------------|
| Net Revenue | 1,931 | 1,975 | -2.2% | 5,700 | 6,531 | -12.7% |
| Operating Costs | (1,154) | (1,218) | -5.3% | (3,519) | (3,507) | 0.3% |
| EBITDA | 777 | 757 | 2.6% | 2,181 | 3,024 | -27.9% |



Recovery in fixed income admissions compared to the previous quarter to €69.7 billion. Foreign Debt issues incorporated into trading reached €5.48 trillion.

Improvement in the negotiation by platform. In the third quarter it reached €42.0 billion, 69.3% higher than in 2017.

Growing role of the Alternative Fixed Income Market (MARF) in financing. Growth of 47.8% in volume issued and 31.5% in outstanding balance with respect to 2017.



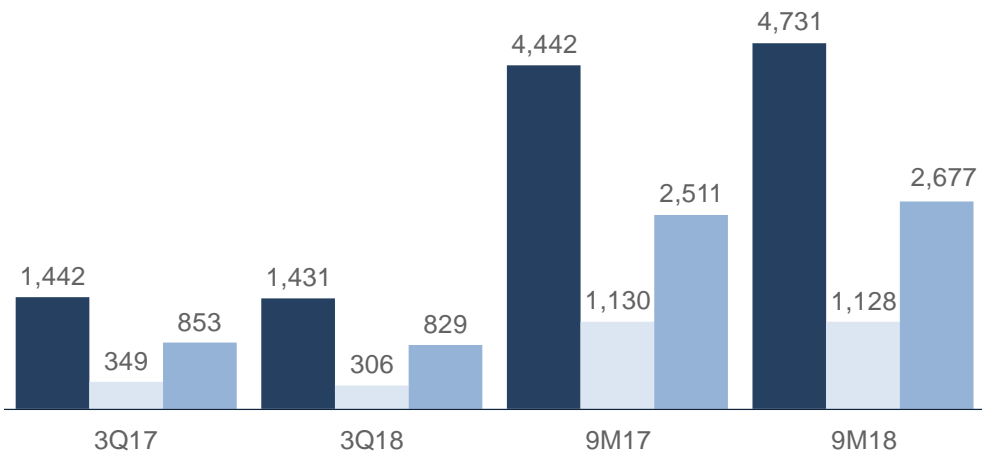
Derivatives

| Thousands of € | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|------------|--------------|---------------|--------------|--------------|--------------|
| Net Revenue | 2,588 | 2,616 | -1.1% | 8,285 | 7,735 | 7.1% |
| Operating Costs | (1,918) | (1,615) | 18.8% | (5,510) | (4,723) | 16.7% |
| EBITDA | 670 | 1,001 | -33.1% | 2,775 | 3,012 | -7.9% |

Index derivatives contracts traded

(Thousand of contracts)

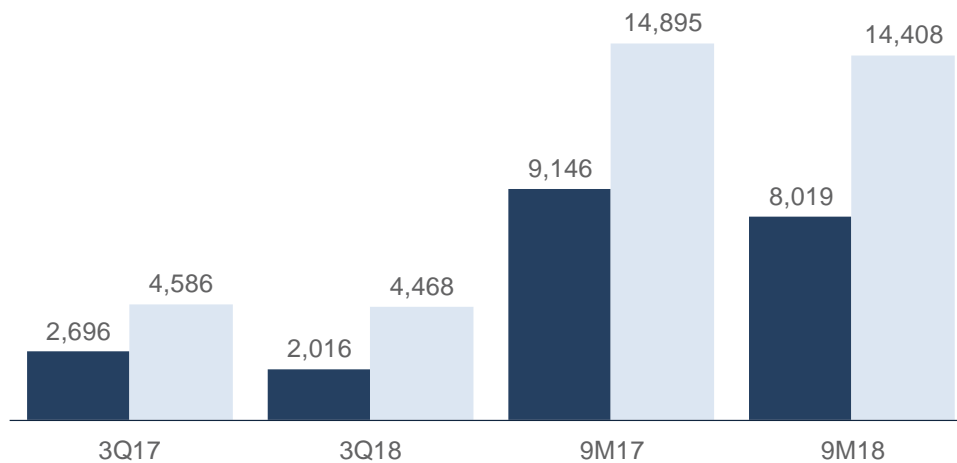
● Futures IBEX 35® ● Futures MiniIBEX ● Options IBEX 35®



Stock derivatives contracts traded

(Thousand of contracts)

● Stock Futures ● Stock Options

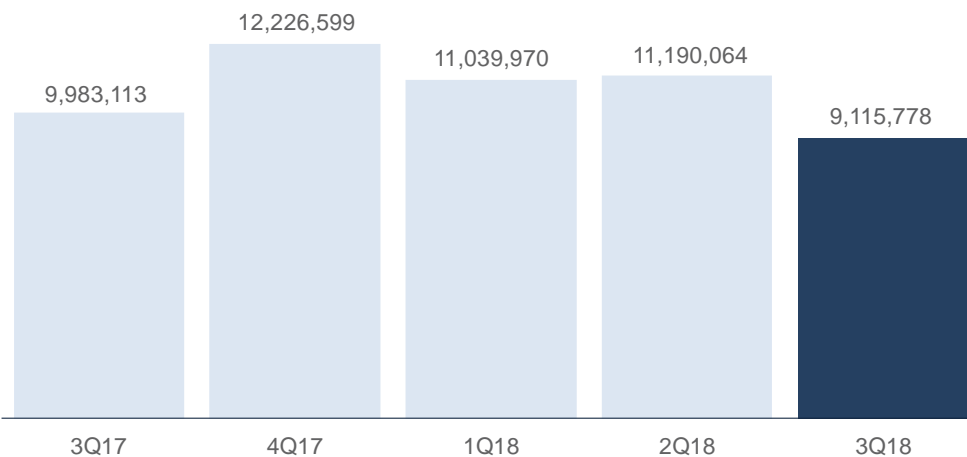


Clearing

| <i>Thousands of €</i> | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|----------------|----------------|---------------|----------------|----------------|--------------|
| Net Revenue | 5,861 | 6,319 | -7.2% | 19,613 | 19,685 | -0.4% |
| Operating Costs | (2,552) | (2,584) | -1.2% | (7,588) | (7,261) | 4.5% |
| EBITDA | 3,309 | 3,735 | -11.4% | 12,025 | 12,424 | -3.2% |

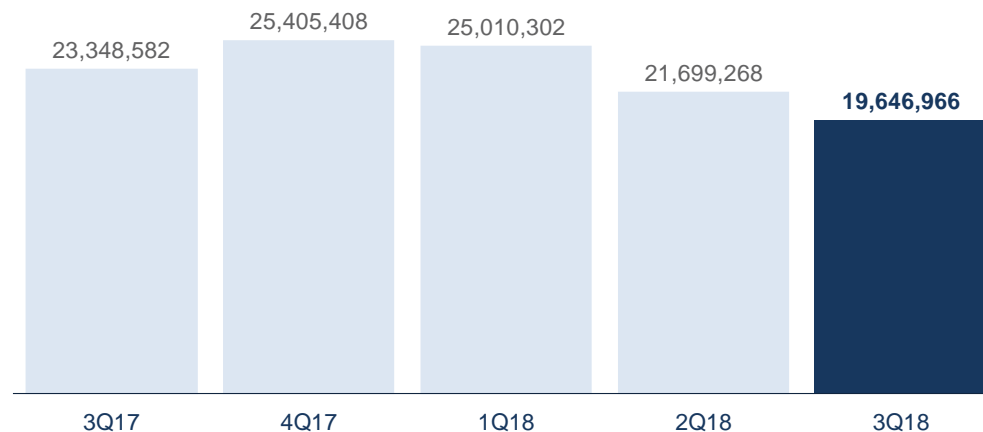
Financial Derivatives

(Number of contracts)



Number of equity transactions cleared

(Number of transactions)

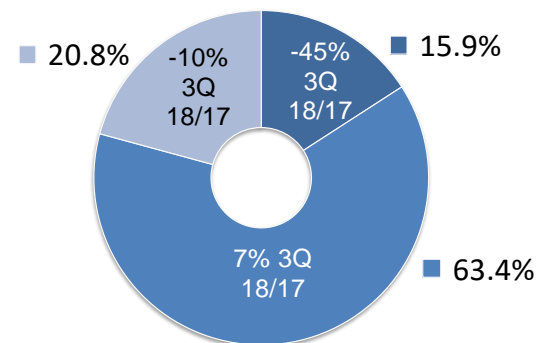




Settlement & Registration

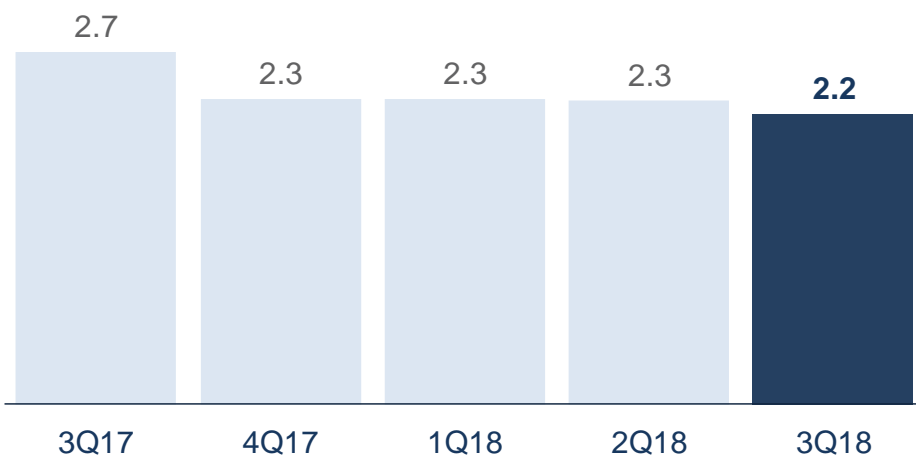
| Thousands of € | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 14,544 | 16,217 | -10.3% | 44,492 | 49,062 | -9.3% |
| Operating Costs | (3,785) | (4,146) | -8.7% | (11,580) | (11,823) | -2.1% |
| EBITDA | 10,759 | 12,071 | -10.9% | 32,912 | 37,239 | -11.6% |

■ Settlement ■ Registration ■ Other services



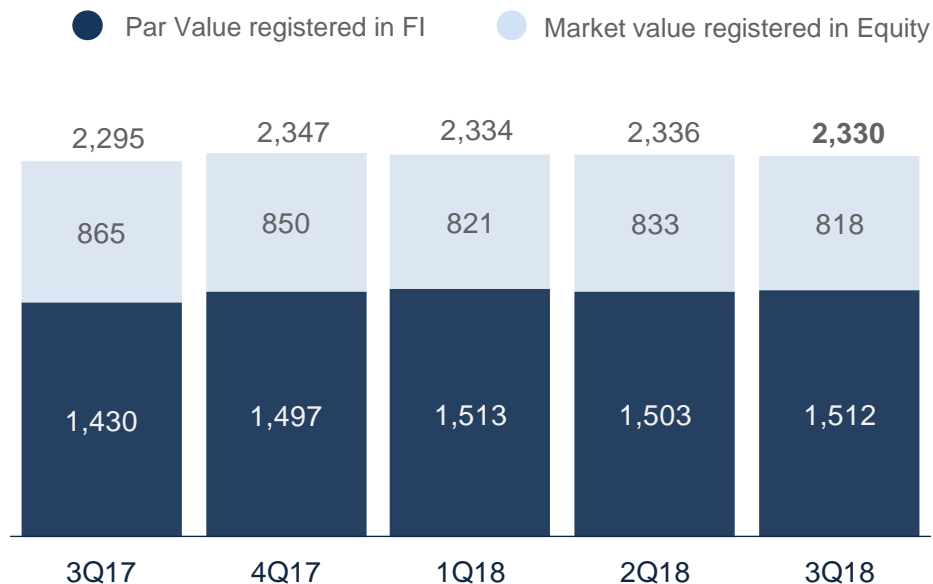
Settlement: Number of trades settled

(Million of trades)



Securities under custody: Volume registered

(€ Billion)

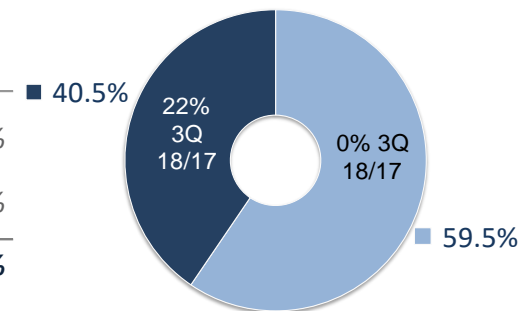




Market Data & VAS

| <i>Thousands of €</i> | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| Net Revenue | 16,702 | 15,451 | 8.1% | 49,662 | 46,749 | 6.2% |
| Operating Costs | (5,939) | (5,488) | 8.2% | (17,914) | (16,700) | 7.3% |
| EBITDA | 10,763 | 9,963 | 8.0% | 31,748 | 30,049 | 5.7% |

■ Primary Source information services
 ■ Value Added services



Market Data & VAS: Unit Drivers

Trading services and Routing

Algorithmic trading Module
Order and Execution Feeds (FOE)
Transaction Cost Analysis (TCA)
International Routing

International Consulting

Start-up of the trading platform and OMS of the Colombian Stock Exchange

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FINANCIALS

Net Revenues

| <i>Thousands of €</i> | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|--------------------------------------|----------------|----------------|----------|----------------|----------------|----------|
| Equity | 29,497 | 33,460 | -11.8% | 97,096 | 109,547 | -11.4% |
| Fixed income | 1,931 | 1,975 | -2.2% | 5,700 | 6,531 | -12.7% |
| Derivatives | 2,588 | 2,616 | -1.1% | 8,285 | 7,735 | 7.1% |
| Clearing | 5,861 | 6,319 | -7.2% | 19,613 | 19,685 | -0.4% |
| Settlement & Registration | 14,544 | 16,217 | -10.3% | 44,492 | 49,062 | -9.3% |
| Market Data & VAS | 16,702 | 15,451 | 8.1% | 49,662 | 46,749 | 6.2% |

FINANCIALS

EBITDA

| <i>Thousands of €</i> | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|--------------------------------------|----------------|----------------|----------|----------------|----------------|----------|
| Equity | 19,475 | 23,061 | -15.6% | 66,918 | 78,574 | -14.8% |
| Fixed income | 777 | 757 | 2.6% | 2,181 | 3,024 | -27.9% |
| Derivatives | 670 | 1,001 | -33.1% | 2,775 | 3,012 | -7.9% |
| Clearing | 3,309 | 3,735 | -11.4% | 12,025 | 12,424 | -3.2% |
| Settlement & Registration | 10,759 | 12,071 | -10.9% | 32,912 | 37,239 | -11.6% |
| Market Data & VAS | 10,763 | 9,963 | 8.0% | 31,748 | 30,049 | 5.7% |

FINANCIALS

Balance sheet

| <i>as of September, 30th</i> <i>(Thousands of €)</i> | 2018 | 2017 |
|--|-------------------|-------------------|
| Goodwill | 88,718 | 88,718 |
| Other non-current assets | 86,897 | 85,404 |
| Cash and cash equivalents | 302,355 | 299,592 |
| Current financial assets | 9,347 | 22,093 |
| Non-Group current financial assets | 13,036,541 | 18,199,422 |
| Other current assets | 54,301 | 53,594 |
| Total assets | 13,578,159 | 18,748,823 |
| Owners' Equity | 434,623 | 442,407 |
| External Partners | 87 | 243 |
| Non-current liabilities | 22,814 | 19,817 |
| Current liabilities | 13,120,635 | 18,286,356 |
| Total equity and liabilities | 13,578,159 | 18,748,823 |

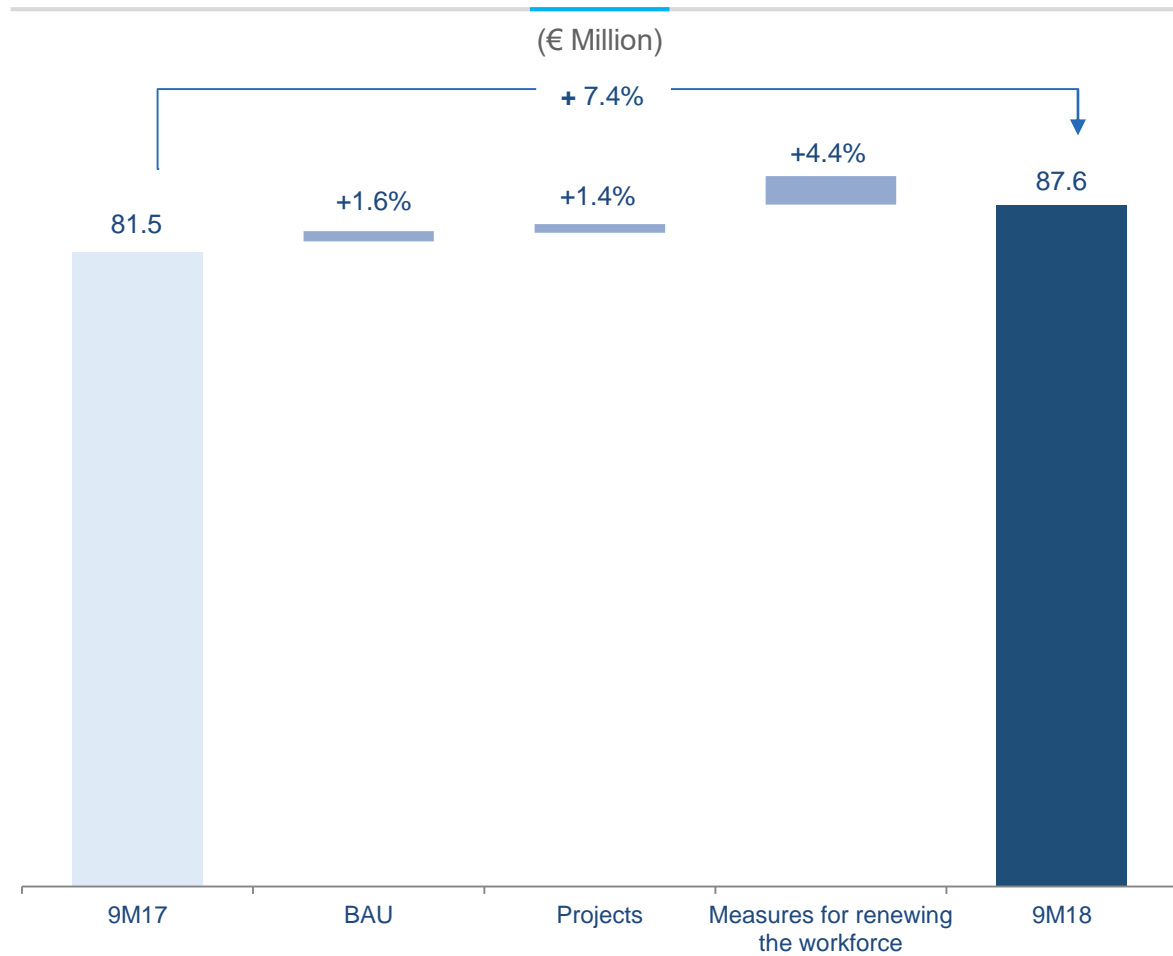
FINANCIALS

P/L

| <i>Thousands of €</i> | 3Q 2018 | 3Q 2017 | % | 9M 2018 | 9M 2017 | % |
|---|----------------|----------------|---------------|----------------|----------------|---------------|
| Net Revenue | 71,421 | 76,246 | -6.3% | 225,333 | 240,547 | -6.3% |
| Expenses | (29,876) | (27,124) | 10.1% | (87,572) | (81,521) | 7.4% |
| EBITDA | 41,545 | 49,122 | -15.4% | 137,761 | 159,026 | -13.4% |
| EBIT | 39,573 | 47,078 | -15.9% | 131,844 | 152,919 | -13.8% |
| Financial results | (86) | (41) | 109.8% | 408 | 329 | 24.0% |
| Share of profit (loss) of associates | 452 | 442 | 2.3% | 2,107 | 864 | 143.9% |
| EBT | 39,939 | 47,479 | -15.9% | 134,359 | 154,112 | -12.8% |
| Net Profit | 30,153 | 35,996 | -16.2% | 101,474 | 116,292 | -12.7% |

RESULTS

Operating costs



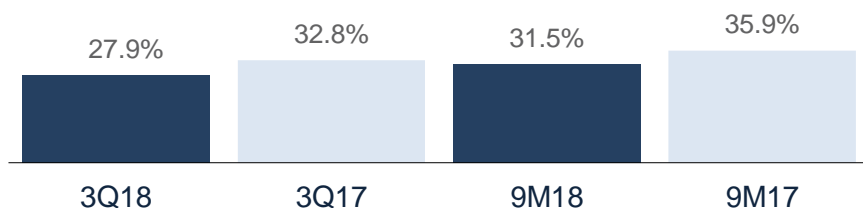


FINANCIALS

Efficiency & Profitability

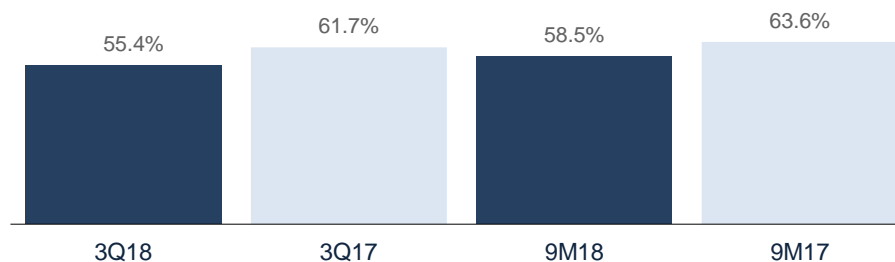
ROE Evolution

(% ROE)



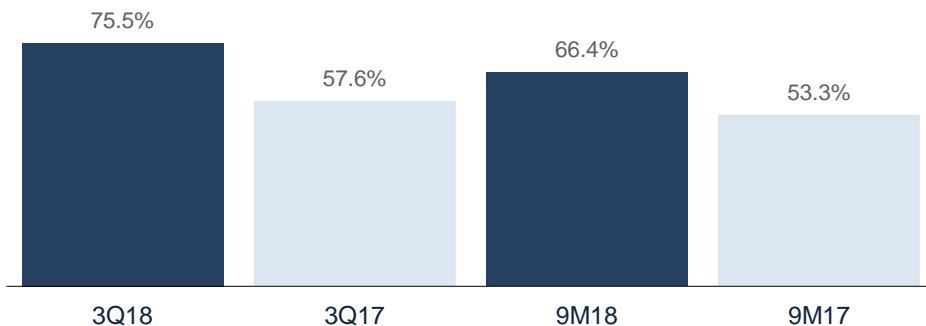
EBIT/Net Revenues Ratio Evolution

(% EBIT/Net Revenues)



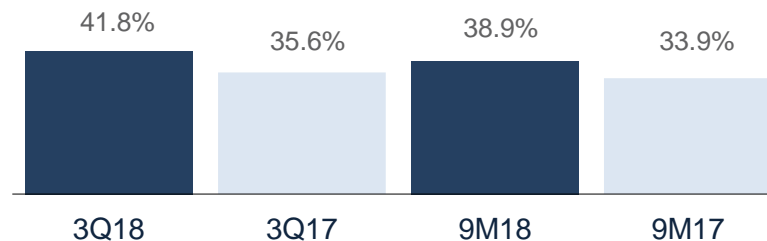
Cost/EBIT Ratio Evolution

(% Cost/EBIT)



Efficiency Ratio Evolution

(% Efficiency)

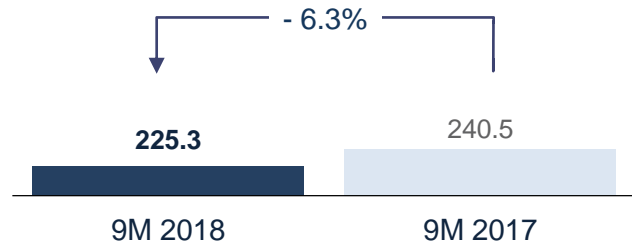


FINANCIALS

Comparison with 9M 2017

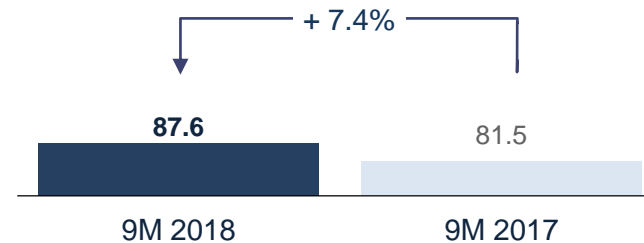
Net Revenue 9M 2018/2017

(€ Mill)



Costs 9M 2018/2017

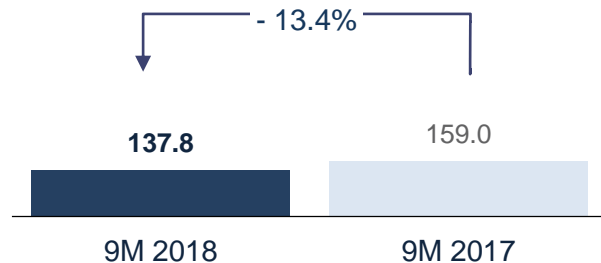
(€ Mill)



Margins

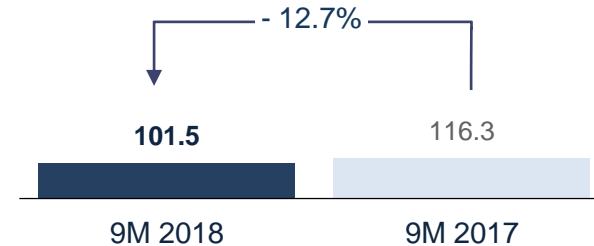
EBITDA 9M 2018/2017

(€ Mill)



Net Profit 9M 2018/2017

(€ Mill)



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Results

Business Units














Financials

Business Drivers

Strategic Plan 2019-2021

Business drivers: Highly liquid market

Spanish blue-chips are of the most liquid stocks in the EMU

| RK | Company | 9M18 | Daily avg. 9M18 | Relative weight at EuroStoxx50 (%) ¹⁾ |
|----|---|----------------------|----------------------|--|
| | | Turnover (€ Billion) | Turnover (€ Billion) | |
| 1 |  Grupo Santander | 123.2 | 0.64 | 3.13% |
| 2 |  TOTAL | 106.5 | 0.56 | 5.50% |
| 3 |  Bayer | 101.7 | 0.54 | 3.72% |
| 4 |  INTESA SANPAOLO | 90.9 | 0.48 | 1.53% |
| 5 |  SAP | 87.8 | 0.46 | 4.65% |
| 6 |  SIEMENS | 87.0 | 0.46 | 4.21% |
| 7 |  adidas | 84.8 | 0.45 | 1.51% |
| 8 |  Allianz | 82.7 | 0.44 | 3.29% |
| 9 | DAIMLER | 81.9 | 0.43 | 2.57% |
| 10 |  SANOFI | 73.4 | 0.38 | 3.25% |
| 17 |  BBVA | 63.5 | 0.33 | 1.65% |
| 28 |  Telefonica | 50.5 | 0.26 | 1.42% |
| 30 |  INDITEX | 46.8 | 0.25 | 1.38% |
| 31 |  IBERDROLA | 40.2 | 0.21 | 1.64% |

Source: Bloomberg

1) As of 30/09/18

Note: In September 2018 the company Amadeus IT Holding entered the EuroStoxx 50

Business drivers

Highly liquid market

Quality of spreads and best market impact for Spanish stocks

| | Top Cap – 0.3 bps | IBEX35 | IBEX Medium Cap | IBEX SmallCap |
|------------|--------------------------|-----------------|----------------------------|--------------------------|
| Year/Month | Avg. Spread (%) | Avg. Spread (%) | Avg. Spread (%) | Avg. Spread (%) |
| 201709 | | 0.046% | 0.228% | 0.649% |
| 201710 | | 0.050% | 0.223% | 0.695% |
| 201711 | | 0.052% | 0.241% | 0.621% |
| 201712 | | 0.051% | 0.253% | 0.517% |
| 201801 | 0.042% | 0.051% | 0.237% | 0.454% |
| 201802 | 0.047% | 0.056% | 0.252% | 0.488% |
| 201803 | 0.046% | 0.054% | 0.219% | 0.411% |
| 201804 | 0.044% | 0.051% | 0.215% | 0.418% |
| 201805 | 0.043% | 0.051% | 0.214% | 0.419% |
| 201806 | 0.043% | 0.052% | 0.211% | 0.427% |
| 201807 | 0.040% | 0.049% | 0.226% | 0.436% |
| 201808 | 0.041% | 0.051% | 0.228% | 0.438% |
| 201809 | 0.042% | 0.051% | 0.234% | 0.449% |

The average spread of the Top Cap, IBEX 35® and the IBEX® Medium Cap remained stable in the third quarter.

The spread of the IBEX® Small Cap has improved by 20 basis points in the last year.

Source: Market monthly reports

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BME's Vision is Based on 3 Key Rationales



“Become THE infrastructure solution provider for financial institutions”

Create a one-stop shop to strengthen ties with the Spanish financial industry as a first step

Further grow and diversify businesses building on our resilient and scalable foundation

Achieve synergies by leveraging BME's neutrality and existing customer base

Strategic Paths



Financial Targets



BME MIDTERM
FINANCIAL
TARGETS UNTIL
2021



GROWTH

Net revenue: ~4% p.a.

Net profit: ~6% p.a.



COST DISCIPLINE

Cost base: ~2% p.a.

CAPEX: ~EUR 10 million p.a.



CAPITAL ALLOCATION & INORGANIC

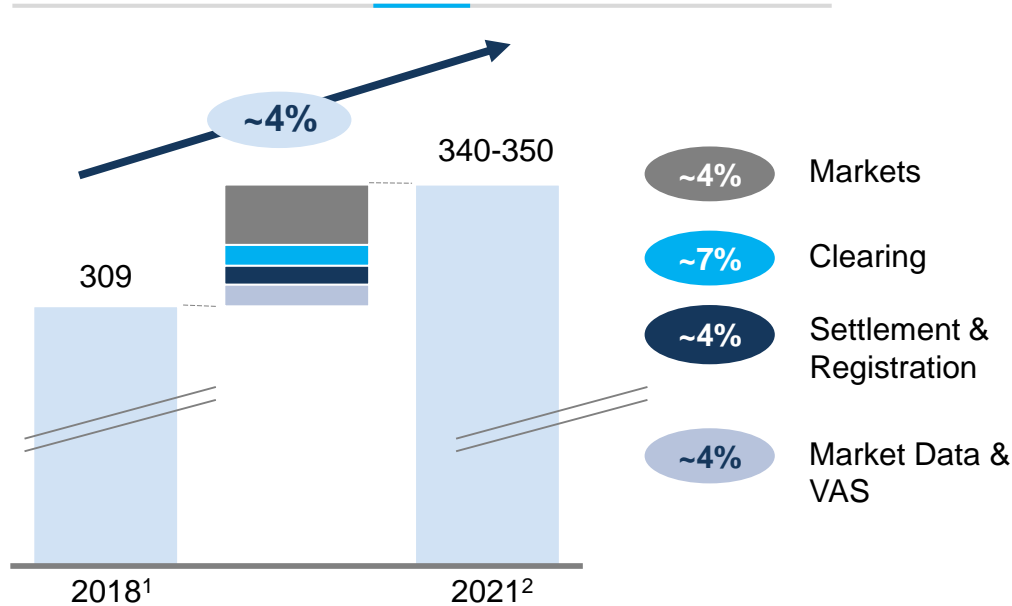
Maintain current dividend policy

Prudent and focused inorganic growth

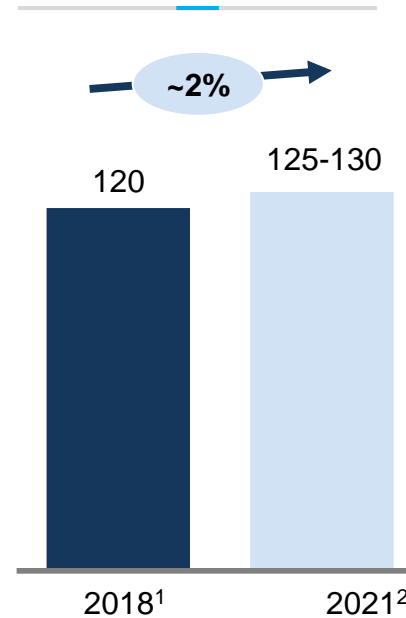
STRATEGIC PLAN 2019 - 2021

Main Figures

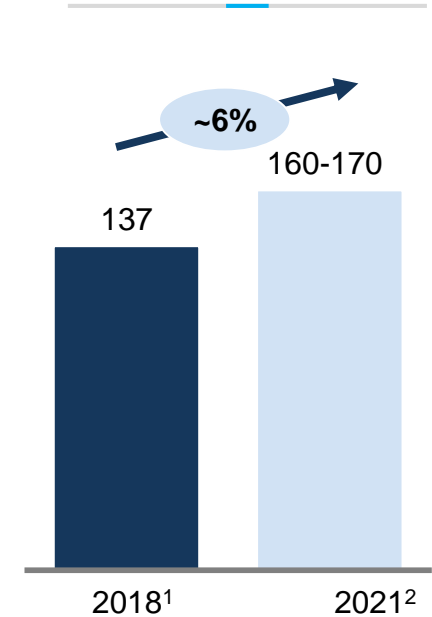
Net revenues, €M



Total Costs, €M



Net Profit, €M



... CAGR 2018-21

1. Analyst consensus forecast from Capital IQ (September 2018)

2. Implied based on expected growth

STRATEGIC PLAN 2019 - 2021

M&A Rationale

M&A Rationale

Key Aspects:

- Targets with high strategic fit
- Synergetic to core business (BME as the “best owner”)
- Cultural and transformational fit with organization
- Controlling and minority stakes (with clear path to control and/or access to relevant know-how)

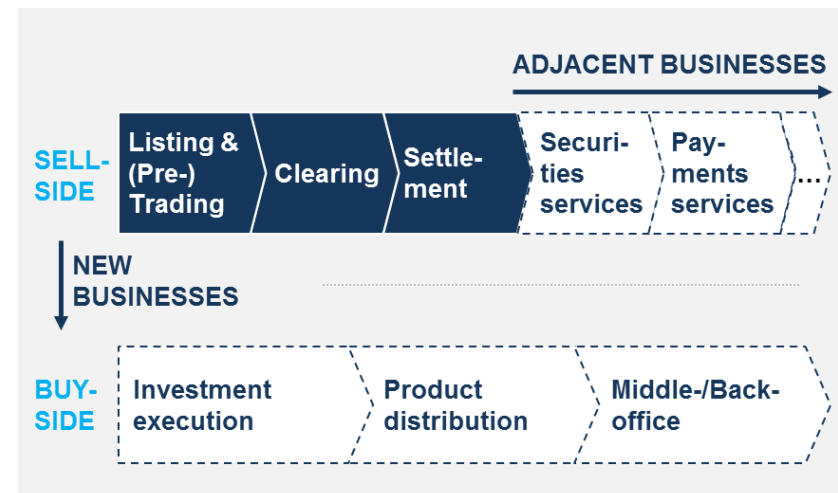
Commitment to current dividend policy

M&A Constraints

Potential acquisitions funded with cash & debt

- Use excess cash (EUR >100 million)
- Raise debt
- Debt levels to be kept comfortably within solid investment grade rating (estimated leverage ratio: 1.5-2.5x EBITDA)
- Improvement of the capital structure and WACC

 Covered by BME today
  Potential expansion via M&A





Q&A