



EXPLANATORY REPORT BY THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSED RESOLUTION FOR THE APPOINTMENT TO MR. DAVID JIMENEZ BLANCO AS BME'S DIRECTOR

I.- Purpose of the explanatory report.

This report is issued on 19 March 2018 pursuant to section 5 of article 529.decies of the Companies Act and article 22.1 of the Board of Directors Regulations, which require that all proposals for appointment of members of the Board of Directors be accompanied by a justification report from the Board of Directors evaluating the competence, experience and merit of the proposed candidate.

Therefore, this Board of Directors report accompanies and evaluates the proposed appointment of Mr. David Jimenez Blanco as an independent external Director raised by the Appointments and Remuneration Committee at its meeting held on 20 February 2018, in compliance with section 4 of article 529.decies, and section 3.c) of article 529.quindicies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations.

II.- Explanatory report on the proposed appointment of Mr. David Jimenez Blanco as Director.

In view of the foregoing and for the purpose of issuing the required justification report, the Board of Directors, after assessing its current composition, has evaluated the conditions that must be met by the Directors to perform their duties and the dedication required to discharge their responsibilities.

The Board of Directors also assessed the competence, experience and merit of Mr. David Jimenez Blanco, based on the information provided regarding his professional background:

"Mr. David Jimenez Blanco holds a Degree in Economics and Business from the Colegio Universitario de Estudios Financieros (CUNEF).

Since 2016, he has served as General Manager of Strategy and Restructuring at Abengoa, S.A.

Since 2010 he has served as a Director and member of the Investment Committee at Gawa Capital Management, an investment management firm.

Since 2014, he has served as an independent external Director at Axiare Patrimonio Socimi, S.A., where he served as Chairman of the Audit Committee until 2017 and where he has served as Chairman of the Remuneration Committee since 2017.

In 2011 and 2012, he was an independent Director and member of the Audit Committee at Atento Inversiones y Teleservicios, S.A.

Between 2013 and 2016, he was Chief Financial Officer (CFO) at World Duty Free Group and Co-Founder and Partner at BK Partners, an investment management firm.

Between 2006 and 2009, he was Chairman and Chief Executive Officer at Merrill Lynch Capital Markets España, S.A., S.V., serving as Head of Global Markets and Investment Banking for Spain and Portugal. Furthermore, he was a member of the Investment Banking Operating Committee for Europe, the Middle East and Africa at Merrill Lynch.

Between 1995 and 2006 he worked at Goldman Sachs International, in different positions at the London and Madrid offices. Between 2004 and 2006 he served as "Managing Director."

Previously, between 1989 and 1995, he occupied different posts, including "Vice President" and "Director" at Salomon Brothers International Limited."

Based on his professional experience, the Board of Directors believes that Mr. David Jimenez Blanco has the appropriate professional knowledge and experience and business and professional integrity to be appointed as member of the Board of Directors of the Company.

Mr. David Jimenez Blanco professional profile indicates that he has extensive professional experience in the investment banking sector, occupying senior management roles at Merrill Lynch and Goldman Sachs, which demonstrates his knowledge and experience in financial markets.

Furthermore, he sits on the Board of Directors at Axiare Patrimonio, Socimi, S.A. and Gawa Capital Management, serves as General Manager of Strategy and Restructuring at Abengoa, S.A. and previously sat on the Board of Directors at Atento Inversiones y Teleservicios, S.A., demonstrating his experience in the management of listed companies.

The Appointments and Remuneration Committee also states that Mr. David Jimenez Blanco has not been and is not involved in any situations in which the Director must tender his resignation to the Board of Directors included in article 38.3 of the Articles of Association and articles 22.4.a) and c) of the Board of Directors Regulations, or in any situations of prohibition to exercise the position, as established in article 213 of the Companies Act.

It can be ascertained from his professional profile that as at the date of issue of this report, Ms. David Jimenez Blanco complies with the provisions of article 23 of the Board of Directors Regulations which establishes that external Directors may not hold directorships at more than four companies whose shares are listed on Spanish or foreign stock markets.

By virtue of that set forth and taking into account the proposed appointment issued by the Appointments and Remuneration Committee, the Board of Directors considers that Mr. David Jimenez Blanco has the competence, experience and merit necessary for his appointment as Director of the Company.

For these purposes, the Board of Directors approves the following explanatory report attached the proposed appointment of Mr. David Jimenez Blanco as Director approved by the Appointments and Remuneration Committee to be submitted to the Ordinary General Shareholders' Meeting of BME.