

**EXPLANATORY REPORT ON THE ELEMENTS INCLUDED IN ARTICLE 116 BIS OF THE SECURITIES MARKET ACT, FOR THE FISCAL YEAR ENDED ON 31 DECEMBER, 2010.**

The Board of Directors of Tubacex, S.A. at its meeting, held on 24 February, 2011, has elaborated this report in accordance to the provisions of article 116 bis of the Securities Market Act, that contains the information established in that article.:

**7.1.** Capital structure, including securities that are not traded in an EU regulated market, indicating, if appropriate, the different stock classes and, for each stock class, the rights and obligations derived and the percentage of share capital it represents.

At the date of issuance of this report, TUBACEX, S.A.'s share capital amounts to fifty-nine million eight hundred and forty thousand four hundred and fifty-one euros and ninety cents (€ 59,840,451.90), represented by one hundred and thirty two million nine hundred and seventy-eight thousand seven hundred and eighty-two (132,978,782) equal shares, ordinary, with a nominal value of 0.45 euros each, consecutively numbered from one to one hundred and thirty two million nine hundred and seventy-eight thousand seven hundred and eighty-two, forming a single series and class.

**7.2. Any restriction to the transfer of securities**

There are no statutory limitations to the transfer of securities.

**7.3 Significant stakes, direct or indirect, in capital**

The stocks of the Directors in the share capital of TUBACEX, S.A., direct and indirect, known to the Company, in accordance to the information included in the records of the Spanish Securities and Exchange Commission, were, as of 31 December, 2010, the following:

<b>NAME</b>	<b>No. OF DIRECT VOTING RIGHTS</b>	<b>No. OF INDIRECT VOTING RIGHTS</b>	<b>TOTAL No. SHARES</b>	<b>PERCENTAGE</b>
Álvaro Videgain	94,300	9,400	103,700	0.078%
Gerardo Aróstegui	-	43,000	43,000	0.032%
Luis María Uribarren	-	637,500	637,500	0.479%
Antonio González-Adalid	20,000	-	20,000	0.015%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra	11,742,504	-	11,742,504	8.830%

Atalaya Inversiones S.R.L.	6,653,503	-	6,653,503	5.003%
TOTAL	18,510,307	689,900	19,200,207	14.437%

Likewise, in accordance to the information of the Spanish Securities and Exchange Commission, TUBACEX's main shareholders as of 31 December, 2010, excluding the directors and the treasury stock, may be found in the table below:

NAME	No. OF DIRECT VOTING RIGHTS	No. OF INDIRECT VOTING RIGHTS	% OF THE SOCIAL CAPITAL
Bagoeta, S.L.	-	24,052,798	18.088%
Cartera Industrial REA, S.A.	6,648,940	-	5.000%
BT Pension Scheme Trustees Limited	-	3,997,306	3.006%

#### ***7.4. Any restriction on voting rights.***

There are no restrictions on voting rights.

#### ***7.5. Parasocial agreements***

Currently there are no agreements of this sort among the holders of significant stakes or between them and the Company and/or its subsidiaries.

#### ***7.6 The rules governing the appointment and replacement of the members of the Board and the amendment to the Articles of Incorporation of the Company***

The Directors shall be appointed directly at the General Meeting or at the proposal of the Board of Directors, in accordance to the provisions established in the Companies Act. The proposals for the appointment of Directors must be preceded by an appropriate proposal by the Nomination and Remuneration Committee.

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their powers, will ensure that the chosen candidates are people of renowned solvency, competence and experience, being especially rigorous when seeking to cover the position of an independent board member.

The Board of Directors cannot propose or appoint persons who are directly related with the management of the Company or who are related by family, professional or business reasons to the executive directors or any other directors of the company for a position as an independent board member.

In particular, persons who hold or have held in the past two years management positions in the Company; those who are or have been, in the past three years,

members of the external auditor of the Company or any of the group's subsidiaries; relatives who are or have been executives or senior managers of the Company during the last two years; persons who have or have had, within the last year, a significant business relationship with the Company in their own name or through a company significantly participated by them; the persons who directly or indirectly, through companies they are significantly involved in, made or received payments or donations from the Company during the last three years that could compromise their independence; those persons who have other relationships with the company, according to the Appointments and Remuneration Committee, and thus are likely to undermine its independence; those who have not been proposed either for appointment or renewal by the Nominating and Remuneration Committee may not be nominated or appointed as independent board members.

The Tubacex Articles of Incorporation can be modified in accordance to the general regulations included in the Companies Act, in its Revised Version.

***7.7. Power of the members of the Board of Directors and, in particular, those regarding the possibility of issuing or repurchasing shares.***

Except for the matters reserved to the jurisdiction of the Stockholders' General Meeting, the Board of Directors of TUBACEX is the highest decision-making body of the Company, concentrating their activity in the general function of supervising and controlling the executive bodies of the same. The Board's policy is to delegate the daily management of the Company in the executive and management bodies, while exercising these non-delegable functions:

- \* The approval of the Company's overall strategies.
- \* The appointment, retribution and, if appropriate, destitution of the top management of the Company.
- \* Approval of the policy regarding treasury stock.
- \* Control of the management activity and evaluation of the directors.
- \* Identification of the Company's main risks, including the risks that come from transactions with derivatives, and implementation and monitoring of internal control systems and information systems.
- \* The definition of the structure of the group of companies.
- \* Corporate Government policies.
- \* Corporate Social Responsibility policies.
- \* Determination of policies regarding information and communication with the stockholders, the markets and the public opinion.
- \* In general, the operations that involve the availability of significant assets of the company and significant corporate transactions or those which could undermine the Group's fiscal transparency.

***7.8.*** Significant agreements entered into by the Company and which take effect, will be altered or terminated upon a change of control of the

Company following a takeover bid, and its effects, except when disclosure is seriously harmful for the Company. This exception does not apply in those cases in which Company is legally required to disclose such information.

Tubacex does not currently have any agreement described in Article 116 bis h) of the Securities Exchange Act.

**7.9.** The agreements between the Company and its members of the board and management or employees providing for compensation if they resign or are unfairly dismissed or if the employment relationship comes to an end during a takeover bid.

No member of the management team has been dismissed and the Company has not been the subject of a takeover bid during 2010.

## **8. ACQUISITION OF TREASURY STOCK**

The treasury stock has remained unchanged throughout 2010, amounting to 3,142,975 shares, representing 2.36% of the share capital.

## **9. PROPOSAL FOR THE DISTRIBUTION OF RESULTS**

The proposal for the distribution of results of Tubacex, S.A., that the Board of Directors will present in the Stockholders' General Meeting is as follows:

	<u>In thousands of euros</u>
Voluntary reserves	
negative results of previous years	(3,316)
Total	<u>(3,316)</u>

## **10. INFORMATION ON FINANCIAL INSTRUMENTS**

Under note 8 of the Consolidated Annual Accounts there is detailed information as regards to the contracts for the sale and purchase of foreign currency, commodities and interest rate swaps that the Tubacex Group has as of 31 December, 2010.

## **11. OTHERS**

### ***11.1 Audit Fees***

The audit fees for the professional work carried out in the Tubacex Group (in the Spanish companies) during 2010 have amounted to 193 thousand euros.