

REPORT PRESENTED BY THE BOARD OF DIRECTORS OF TUBACEX, S.A IN RELATION TO THE AGREEMENT REFERRED TO IN POINT FOUR ON THE AGENDA OF THE ORDINARY GENERAL MEETING.

1.- PURPOSE OF THIS REPORT

This report aims to justify the adoption of the agreement proposed in relation to Point four on the agenda, which has been submitted for approval by the Shareholders' General Meeting due to be held on 23th May 2017 in the first call and on 24th May 2017 on the second call.

2.- JUSTIFICATION OF THE PROPOSAL

Articles 144 et seq. of the Corporations Act that regulate trading with own shares, allow their acquisition on fulfilling the requirements arising from Article 146 of the aforementioned Act, among others.

To this end, the adoption of an agreement that grants authorization, in accordance with the limits and requirements set out in the Act, so that the company may acquire its own shares either directly or through Group companies, or in the latter case, acquire shares issued by the parent company, is proposed to the General Meeting, nullifying any unimplemented part of the agreement adopted by the Ordinary General Meeting on 28th May 2014.

Once the derivative acquisition of own shares has taken place, there are various legally established mechanisms to reduce or write off the company's own shares that have been acquired. One possibility is to redeem the shares and another is to divest the shares on the market. In the case of a company with securities listed on a secondary market, a priori, it is impossible to determine the appropriateness of the procedure that should be used in the interests of the company in order to reduce or write off the own shares acquired. It is not possible to foresee the market conditions at a certain moment, which may be favorable or unfavorable with respect to a single previously established procedure.

For this reason, it is deemed opportune for the Board of Directors to evaluate the circumstances arising at each moment and then decide on the best system.