

REPORT PRESENTED BY THE BOARD OF DIRECTORS OF TUBACEX, S.A PURSUANT TO THE PURPOSES SET OUT IN ARTICLE 286 OF THE CORPORATIONS ACT IN RELATION TO THE AGREEMENT REFERRED TO IN POINT FIVE ON THE AGENDA OF THE ORDINARY GENERAL MEETING.

1.- PURPOSE OF THIS REPORT

- 1.1. For the valid adoption of the agreement for the modification of the articles of association, Article 286.1 of the prevailing Consolidated Text of the Corporations Act, approved by Royal Legislative Decree 1/2010 of 2 July ("**Corporations Act**") stipulates, among other requirements, that the administrators draw up a report in writing with the justification for doing so which should be made available to all shareholders in the time frame and method set out in the aforementioned precept, along with the full text of the proposed modification, whereby this is indicated in the corresponding announcement to call the meeting.
- 1.2. Article 297 sets out that the General Meeting, under the requirements established for modifying the company's articles of association, may (letter b) delegate power to the Board of Directors to agree to increase the company's share capital once or several times up to a specific amount, at the time and by the amount that it may decide, without prior consultation. Under no circumstances may these capital increases exceed half of the company's capital at the time of the authorization and they must be made by means of cash contributions within a maximum period of five years from the date of the agreement.

Finally, Article 506 sets out that in the case of listed companies, when the General Meeting delegates power to the administrators to increase the company's share capital in accordance with Section 1 b) of Article 297, they may also be empowered to exclude the right or preferential subscription when the circumstances set out in Article 297 arise, provided that the nominal value of the shares to be issued plus any share premium corresponds to the fair value of the Company shares based on the report drawn up by the Company's financial statement auditors for such purposes at the request of the administrators.
- 1.3. Therefore, the aim of this report is to fulfill the provisions set out in the aforementioned Corporations Act in relation to the agreement referred to in Point five of the agenda, which is submitted for approval by the Shareholders' General Meeting of Tubacex S.A. (hereinafter "**Tubacex**") called for 23th May 2017 on first call and 24th May 2017 on second call.

2.- JUSTIFICATION OF THE PROPOSAL

The administrators consider it opportune for the company to always have the most suitable instruments to properly address the demands of the operation of the company, whereby these needs may include providing the Company with new resources which can be obtained via new contributions in the form of capital.

In light of the fact that, a priori, it is not possible to foresee such needs and having to call another General Meeting for this sole purpose with the corresponding costs and delays incurred, Article 297.1.b) of the Corporations Act sets out that the Shareholders' General Meeting authorizes the Board of Directors to adopt agreements to increase the share capital, within certain limits, without first consulting the General Meeting.

Based on this legal option, which is commonly used by Spanish companies, authorization for the Board of Directors to increase the share capital, once or several times, up to a maximum of 50% of the capital is proposed to the General Meeting,

whereby this authorization is valid for a maximum period of five years.

Furthermore, on granting this authorization, Article 506 of the Corporations Act allows the General Meeting to grant the Board of Directors the power to exclude the preferential subscription right in relation to the share issues that are object of delegation in the terms indicated herein.