

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

1.- PURPOSE OF THIS REPORT

This report is drawn up by the Board of Directors of Tubacex, S.A. (hereinafter "Tubacex" or the "Company") to justify the proposal to be submitted for approval at the Ordinary Shareholders' General Meeting to be held on 23th May 2017 on first call and on the following day, 24th May 2017, on second call under Point Six on the Agenda, in relation to the delegation of powers in favor of the Tubacex Board of Directors, with express delegation power to (i) issue simple debentures or bonds, promissory notes and other similar fixed income securities as well as securities exchangeable and/or convertible into Company shares or those of any other company, belonging to the Group or not, with the granting of the power to exclude the right to preferential subscription by shareholders and holders of convertible securities as well as (ii) authorization so that the Company can guarantee all obligations that may derive from its dependent companies as a result of the issue of securities by these dependent companies.

2.- JUSTIFICATION OF THE PROPOSAL

The Board of Directors considers that the agreement proposal submitted for approval by the Shareholders' General Meeting is justified for a new period due to the convenience of the Company having the mechanism set out in the prevailing company regulation which enables the Board to have agile access without delays or additional costs to the necessary financing conditions for the development of the business and its strategic plan and that these are in accordance with the volume of the source of funds, including the primary markets of bonds and debentures, under the terms and conditions set out by the Shareholders' General Meeting.

With this purpose, under the scope of Article 319 of the Trading Registry Regulation, which enables the Shareholders' General Meeting to delegate the power of issuing the trading securities object of the proposal to the Board of Directors, is submitted to the consideration of the Shareholders' General Meeting in accordance with the formula in Point Seven on the Agenda.

The proposal foresees the authorization of the Board of Directors to issue the corresponding traded securities. Article 510 of the consolidated text of the Corporations Act, approved by the Legislative Royal Decree 1/2010, of 2nd July, sets out that the issue limit for the issue of bonds (Article 405 of this legal text) is not applicable to listed limited liability companies.

In addition to the above, applying Articles 414 et seq. of the Corporations Act and the provisions set out in Articles 297.1.b) and 506 of the Corporations Act, proposes that the Board of Directors has access to the power to issue convertible and/or exchangeable securities into Company shares, hence enabling the Board to decide, at the time of the issue, of the appropriateness of excluding the preferential subscription right or otherwise as well as deciding on increasing the corresponding capital that is necessary to meet the convertible and/or exchangeable securities that derive from each issue with the corresponding modification of Article 5 in the Articles of Association.

Value of Issues

The proposed agreement establishes maximum amounts for which issue authorization is requested. The Board of Directors considers opportune that the limit of the authorization submitted to the Shareholders' General Meeting is sufficient to allow the necessary funds to be raised in the capital market in order to develop the financing policy of the Company and the Group, where appropriate.

The maximum limit of the simple bonds, debentures, promissory notes and other fixed income securities other than the promissory notes that may be issued under the scope of this delegation amounts to TWO HUNDRED AND FIFTY MILLION EUROS (250,000,000 EUROS), bearing

in mind that: (a) The total maximum outstanding amount of the issuance of Securities, other than promissory notes, agreed under the scope of this authorization, shall be of ONE HUNDRED AND FIFTY MILLION EUROS (150,000,000 EUROS) or its equivalent in any other currency, and (b) the outstanding balance of the promissory notes issued under the scope of this authorization may not exceed ONE HUNDRED MILLION EUROS (1,000,000 EUROS) or its equivalent in any other currency. This limit is independent of that established in Section a) above.

These limits do not refer to the sum of any issues that may be made but is the outstanding balance of shares in circulation that will be issued under the scope of this delegation. In this respect, the Board of Directors considers that it is recommendable to include a maximum limit for the debt at each moment for all of the securities that the Company can issue under the scope of this authorization, which will be a total of TWO HUNDRED AND FIFTY MILLION EUROS (250,000,000 EUROS).

Issue of convertible and/or exchangeable bonds. Exclusion of the preferential subscription right.

The Board of Directors has included in the delegation proposal to issue convertible and/or exchangeable securities into Company shares, enabling the Board to decide, at the time of the issue, of the appropriateness of excluding the preferential subscription right or otherwise as well as deciding on increasing the corresponding capital that is necessary to meet the convertible and/or exchangeable securities that derive from each issue with the corresponding modification of Article 5 in the Articles of Association.

The delegation of the power to exclude the preferential subscription right of shareholders or holders of convertible and/or exchangeable securities is granted to the Board so that it can decide in each case whether this exclusion is necessary to capture financial resources in global markets or if it is required by social interest. In any case, if the Board decides to exclude the preferential subscription right in relation to a specific share issue that it eventually decides to carry out under the scope of this authorization, it will issue a report detailing the specific grounds of social interest that justify this measure, which will be object to the corresponding auditors' report in accordance with the provisions set out in Articles 414 et seq. of the Corporations Act.

Issue through subsidiary companies

On the other hand, on certain occasions, it may be opportune to issue shares under the scope of this proposal through a subsidiary, guaranteed by Tubacex.

Therefore, it is considered useful for the Shareholders' General Meeting to authorize the Board of Directors to guarantee, on behalf of the Company and within the limits indicated herein, the new fixed income share issues that are carried out during the validity of this agreement by dependent companies in order to give the Board of Directors optimum flexibility to structure the share issues in the most appropriate way in accordance with the circumstances.

Admission to Trading

It is also foreseen that the securities issued by virtue of this delegation of power may be listed on any secondary market, whether organized or otherwise, and whether in Spain or abroad.

Delegation

If the agreement proposed herein is finally adopted, all of the powers that are attributed to the Board of Directors will be done so with the express power to delegate in order to further foster the objective of adding greater agility to the operations contemplated.