

THE BOARD OF DIRECTORS' REPORT ON REMUNERATION POLICIES

The remuneration policy of the Board of Directors of Tubacex, S.A. is established on an annual basis as provided by the Articles of Incorporation and as requested by the Nomination and Remuneration Committee.

To date, the remuneration of the members of the Board of Directors has been governed by a combined system, composed by a fixed part, formed by the allowance for the attendance of the Board meetings and its Committees, and a variable part depending on the annual benefits of the company and the consolidated group, with a limit of 4% as established in the Articles of Incorporation.

It must be noted that the retribution policy does not cover pension systems or remuneration based on stock or stock-options, or any other type of non-cash benefits. The total amount of the remuneration payable to the members of the Board of Directors is included annually in the Corporate Governance Report, included in the Annual Report, on an individual basis.

As regards to the year 2010, the Board of Directors has accepted the proposal of the Nomination and Remuneration Committee derived from its meeting held on 15 December, 2010, which established that no variable remuneration is accrued and the allowances accrued for the attendance to the meetings continue frozen.