REPORT OF THE BOARD OF DIRECTORS REGARDING THE PROPOSED DELEGATION TO THE BOARD OF DIRECTORS OF THE AUTHORITY TO INCREASE SHARE CAPITAL IN ACCORDANCE WITH THE PROVISIONS OF Articles 297.1.B) AND 506 OF THE COMPANIES ACT

Madrid, February 7, 2018

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

The authority delegated on March 9, 2013 by shareholders to the Board of Directors to increase share capital, which has not been used, will expire on March 9, 2018.

It is considered advisable for shareholders to renew this authorization up to the maximum limit established by Article 297.1 b) of the Companies Act in terms of both its validity and amount, i.e. five years as from the date of the resolution and up to one-half of the current share capital of €307,955,327.30 and therefore, if this proposal is approved, the Board would be authorized to carry out share capital increases for a maximum total amount of €153,977,663.65.

The Board of Directors considers that these possibilities broaden the Company's operating capacity, which justifies the advisability of the governing body having the capacity and flexibility that are necessary to operate with the agility that is demanded by financial market operations.

The proposal includes, in the terms established by Article 297.1 B) of the Companies Act, the possibility that the payment for any new shares that may be issued under this authority be made in cash and expressly allows for the possibility of the incomplete subscription of shares in accordance with the provisions of Article 311 of the same Act.

The proposal to delegate authority to the Board of Directors includes, in accordance with the provisions of Article 506 of the Companies Act, the granting of authority to the Board of Directors to exclude preferred subscription rights subject to the legal requirements established in the aforementioned Article and concordant provisions, and in accordance with the recommendations of the Good Governance Code for listed companies, which establishes a limit of 20 percent of share capital.

The Board of Directors considers that the authority to exclude the preferred subscription right is supplementary to the authority to increase share capital through the issue of new shares through cash payments, and is justified for the aforementioned reasons.

In the event that the Board of Directors decides to make use of the authority to exclude the preferred subscription right with respect to a specific capital increase that may finally take place through the use of the authorization granted by shareholders, a report from the directors and a report from an auditor, other than the company's auditor, must be prepared as required by Article 308 of the Companies Act. Both reports must be made available to shareholders and reported at the first General Meeting held after the decision to increase capital and in accordance with the provisions of Article 506 of the Companies Act.

The proposed resolution includes authorization for the Board of Directors to take all steps necessary for the new shares to be listed for trading on the stock markets on which the company's shares are listed.

II. PROPOSED RESOLUTIONS

Authorize the Board of Directors to increase share capital, one or several times, in the terms and within the limits set out in articles 297.1.b) and 506 of the Recast Text of the Spanish Companies Act, for a period of five years from the date of this agreement and up to a maximum of 153,977,663.65 euros, equivalent to 50 percent of the share capital.

The increases of share capital as authorized herein shall be carried out via the issuance and sale of new shares, either voting or non-voting, and with or without share premium. The Board of Directors shall have the power to stipulate, where not provided, the terms and conditions of the share capital increase and the characteristics of the shares, as well as to freely offer new shares not subscribed within the period or periods of preemptive subscription rights. The Board of Directors shall also have the power to determine that, in the case of incomplete subscription, the share capital is only increased in the amount of the subscriptions made, and newly amend the article of the Company Bylaws regarding share capital.

With respect to the share capital increases carried out pursuant to this authorization, the Board of Directors is expressly empowered to exclude or limit the preemptive subscription right, in the terms set forth in article 506 of the Recast Text of the Spanish Companies Act. This power is limited to the condition that the exclusions of the preemptive subscription rights that the Board of Directors could agree in the execution of this power or other delegations thereof, or which the Annual General Meeting could agree, do not exceed, in total, 20 percent of the Company’s current share capital.

The Company shall request, when necessary, that the shares issued under this authorization are listed in official or unofficial, organized or otherwise, secondary markets, empowering the Board of Directors to perform those proceedings and steps necessary for admission to listing before the competent bodies of the various securities markets.

The Board of Directors is further authorized to complete this agreement in as many aspects as are necessary for its validity and execution.

The authorization herein revokes that granted on March 9, 2013.

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