

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

2008 DIRECTORS' REPORT

(Translation from the original in Spanish)

2008 has been marked by a high level of uncertainty, with a gradual deterioration on a macroeconomic level which became more pronounced as the year went on. According to data published by the International Monetary Fund at the end of January 2009, the global economy grew by 3.4% in 2008 compared to 5.2% in 2007.

The US and European economies saw strong downturns in activity, especially in the second half of the year, as a result of multiple factors that led to an intense weakening in consumer spending and corporate investment. These factors include the tightening of economic conditions, the deterioration of the labour market, the loss of purchasing power as a result of reduced real estate prices and variable income and, in general, the global economic downturn. This situation meant that GDP grew by 1.1% in the US in 2008 compared to 2% in 2007, although growth was negative in the third and fourth quarters of the year. According to the International Monetary Fund, growth in Europe stood at 1% in 2008 compared to 2.6% in 2007.

Emerging economies have continued to show stronger growth than the United States and Europe, although the effects of the global slowdown started to be felt in the second half of the year. According to data published by the International Monetary Fund, China grew by 9% in 2008 (compared to 13% in 2007) and India by 7.3% (compared to 9.3% in 2007).

The global economic situation has influenced investments in the oil, energy and petrochemical sectors. While in the first three quarters of the year investment in these sectors continued along the positive trend of recent years, the last quarter began to show the first symptoms of a slowdown. The main reasons for this downturn were the significant deterioration of the financial markets (with its associated impact on access to financing for oil, energy and petrochemical companies) and the huge fall in oil prices. Changes in demand led to a reduction in the number of orders made in the last quarter of the year.

Once again, the currency markets had a serious negative effect on European export companies during 2008, with the Euro holding its strength against the US Dollar (US\$1.47 on average in 2008 compared to US\$1.38 in 2007). This trend has been, and continues to be, particularly harmful to the competitiveness of European companies, as it directly jeopardises exports to the USA and indirectly favours emerging economies which have much lower labour costs and currencies that have not lost so much ground to the Dollar.

Another clear sign of the change in economic cycle in 2008 is the significant change in the price of raw materials, including those used in the Group's business (nickel, stainless steel scrap, molybdenum and chromium). Based on average nickel quotations on the London Metal Exchange (LME), the average price of nickel was USD 21,111 per tonne in 2008, which is 43% lower than the average price of USD 37,230 per tonne in 2007. This is the first year since 2001 in which the average price of nickel is lower than in the previous year. The reduction in the price of this metal was especially noteworthy in the last months of the year, leaving the price of nickel at year end at around USD 10,000 per tonne. The price of other raw materials used in the Group's production process also fell. Such is the case of molybdenum, which while remaining stable for most of year at a price between USD 75,000 and USD 80,000 per tonne, fell sharply at the end of 2008 to close at around USD 25,000 per tonne. Therefore, although the price of this metal was on average only 4% lower than in 2007, the accumulated drop in price in December 2008 compared to the same month in 2007 was over 65%. These factors have a negative impact on the income statement as a result of the drop in value of the Group's inventory.

With regard to oil prices, two distinct periods can be identified in 2008. Whereas during the first half of the year the price of crude oil continued to rise strongly, as in prior years, to reach levels of almost USD 145 per barrel, the second half of the year saw an intense reduction. In the face of doubts surrounding the evolution of demand for oil during the global economic downturn, crude oil closed out 2008 at around USD 40 per barrel. Despite this reduction, the International Energy Agency (IEA) continues to warn of structural problems in matching supply to forecast demand and the need for significant investments at all stages of the production and processing of oil and by-products.

The Tubacex Group has continued to implement its Competitiveness Plan and to develop the two plans on which the Group's strategy for the future is based: the Tubacex Strategic Plan 2010 and the Tubacex Strategic Plan 2012, the most distinguishing features of which are as follows:

- Creation of value and shareholder remuneration.
- Maximisation of structural profitability in all business units, with special emphasis on production units of seamless stainless steel tubes.
- Competitiveness in the manufacturing and marketing of our products.
- Clear commitment to added value in our products and leadership in customer service.
- Integration and development of synergies among the different units from a strategic group and planning perspective and a realistic adaptation of people, structures, processes and investment plans. Adaptation of the Group's management structure.
- Financial soundness and generation of cash flows as a guarantee of consistent shareholder remuneration over time and sufficient capacity to undertake the required investments to ensure the future competitiveness and profitability of the Group.
- Continuous improvement in corporate governance policies, including the most advanced principles based on international standards.
- Establishment of the principle of corporate social responsibility as one of the Group's main values with a focus on total quality management, environmental policies and the prevention of labour-related risks in all of the Group's units.

1. PERFORMANCE OF THE GROUP'S BUSINESS IN 2008

In order to carry out a detailed study of the main business variables during 2008, the variations in the main entries of the consolidated income statement will be analysed together with the most significant events deriving from the Group's financial, commercial and industrial activity.

- 1.1 Analytical analysis of the Group's income statement
- 1.2 Financial activity
- 1.3 Risk management policy
- 1.4 Commercial activity
- 1.5 Industrial activity
- 1.6 Competitiveness Plan
- 1.7 Strategic Plan

1.1. Analytical analysis of the Group's income statement

For comparative purposes, the main captions of the consolidated income statements for 2008, 2007 and 2006 are as follows:

	(in millions of Euros)					
	2008	%	2007	%	2006	%
<i>Revenue</i>	671.80	100.00	696.73	100.00	539.07	100.00
<i>Other income</i>	4.48	0.67	7.70	1.10	1.11	0.21
<i>Variation in stocks</i>	13.54	2.02	29.09	4.17	6.95	1.29
Total operating income	689.82	102.68	733.51	105.28	547.13	101.50
<i>Purchases and materials consumed</i>	-407.20	-60.61	-441.80	-63.41	-321.65	-59.67
<i>Personnel expenses</i>	-114.31	-17.02	-94.68	-13.59	-85.36	-15.83
<i>External and operating expenses</i>	-95.94	-14.28	-90.87	-13.04	-76.09	-14.12
Gross operating profit	72.38	10.77	106.17	15.24	64.03	11.88
<i>Amortisation, depreciation and impairment</i>	-16.67	-2.48	-16.69	-2.40	-16.74	-3.11
Net operating profit	55.71	8.26	89.47	12.84	47.29	8.77
<i>Finance income</i>	2.15	0.32	7.82	1.12	6.69	1.24
<i>Finance expenses</i>	-17.13	-2.55	-19.84	-2.85	-12.76	-2.37
Profit on ordinary activities	40.73	6.06	77.46	11.12	41.22	7.65
<i>Net extraordinary income/(expense)</i>	-	-	-	-	-	-
Consolidated profit before income tax	40.73	6.06	77.46	11.12	41.22	7.65
<i>Income tax</i>	-3.15	-0.47	-20.80	-2.99	-10.27	-1.91
Net profit attributed to the parent company	37.58	5.59	56.66	8.13	30.95	5.74

The most significant trends in the consolidated income statement are as follows:

- Sales for 2008 are slightly down (3.6%) on the prior year. This is a direct result of the reduction in prices of raw materials used by the Group in its production process, especially nickel. The drop in the price of this raw material (43% lower than the average for 2007) has a direct impact on the total price of the main product sold by the Group (seamless stainless steel tubing) through a reduction in alloying charges billed to customers.
- Despite a slight recovery made by the Dollar against the Euro at the end of 2008, the value of the Dollar against the European currency remains at historically low levels. This is a vital factor which continues to have a negative effect on sales. The drop in value of group sales made in US Dollars has been mitigated by the positive evolution of prices in local currency. In terms of group profitability, the fact that a substantial portion of raw materials are stated in US Dollars offsets the effect of the current low value of this currency against the Euro.
- The cost of materials consumed stands at 60.6% of net sales at year end, which is 7.8% down on the prior year. The sharp fall in raw material prices is a determining factor in this, as the volume in tonnes of materials consumed was higher than in 2007 to meet the increase in production. In the short term this reduction in the price of raw materials has a negative impact on the valuation of the Group's inventory and, therefore, on profitability reflected in the income statement.
- Personnel expenses have risen by 20.7%. This includes a provision to cover liabilities deriving from a new agreement to implement relief contracts during the period 2008-2012 in Tubacex S.A., Tubacex Tubos Inoxidables, S.A. and Acería de Álava, S.A. These agreements allow the Group to improve competitiveness and profitability, streamline its workforce, enhance production structures and renew, train and improve the skills of its personnel. Excluding the effect of the Relief Plan, personnel expenses rose by 10.2% as a result of an increase in the number of employees to meet production needs and, in the case of the aforementioned subsidiaries, the negotiated rise in salaries agreed to in the new collective labour agreement signed at the end of 2008 (which will govern labour relations until 2012). The Group's average headcount has gone from 1,913 in 2007 to 1,970 in 2008, an average increase of 57 employees.
- Other operating expenses rose by 5.6% in 2008. An analysis of this caption should take into account the increase in billing volume and the fact that it includes energy bills (electricity and gas), which have risen significantly this year. The Tubacex Group intensified specific projects aimed at curtailing the main expense items which are expected to show results in the coming years.
- The Group's financial situation remains sound (see section 1.2 of this report) thanks to its reduced amount of long-term debt, which stands at around Euros 41 million at the end of 2008. Once again, most of the financing used

by the Group is to cover its working capital, which has a much higher volume in tonnes in 2008 than in 2007. This, together with reference interest rates that remained high during the first nine months of the year, has led to an increase in financial expenses of Euros 3 million in 2008. The impact of exchange differences should also be taken into account, as these result from the Group's policy of monitoring the exposure of sales and raw materials to the risk of currency fluctuations.

- With regard to income tax, the effective tax rate for the year is 7.7% compared to 26.8% in 2007. This significant reduction is a result of the deductibility of the amount provided to cover the liabilities relating to the Relief Plan and the capitalisation of tax credits deriving from the acquisition of Altix in 1999.

1.2 Financial activity

Group shareholders' equity amounted to Euros 280.0 million at the end of 2008, which represents 41.4% of total liabilities (44.1% in 2007). Net debt (short- and long-term debt with financial entities less cash and short-term investments) as a percentage of shareholders' equity stood at 75.2% compared to 66.3% in 2007. These figures highlight the financial strength of the Group, even in a year in which it has had to make significant payments both in terms of strategic investments aimed at improving its product mix and in relation to working capital, as a result of increased activity at its main production centres. This strength has been extremely relevant in the last months of 2008 when banks severely reduced corporate financing as a result of the global economic crisis. In this regard, the solid financial position of the Group has enabled it to continue to be trustworthy in the eyes of financial institutions.

Of the total amount of financing provided by financial entities in 2008, only 16% relates to long-term debt, with the remainder used for financing day-to-day operations of group companies. Had this not been the most important year in the history of the Group in terms of strategic investment to enhance its production capacity, and were it not for the considerable increase in levels of production, the Group's net debt in comparative terms would have fallen considerably. The amount of long-term debt has increased slightly as a result of the decision to re-finance key investments made by the Group in its main production plants, thus adapting its liability structure to the reality of financed assets.

The value of Tubacex shares on the stock exchange fell by 64.8% in 2008, reflecting the extremely negative behaviour of the world's stock markets, which particularly punished the iron and steel and oil sectors. The Company's shares went from Euros 6.68 per share at the 2007 close to Euros 2.35 per share in the last quotation of 2008. The highest quotation of the year was in June, when the value of the shares peaked at Euros 7.78, while the lowest was on 20 November when the share value dropped to Euros 2.14.

A total of 215.79 million shares were traded on the stock exchange during the year, which is 22% lower than the 276.63 million traded in 2007. This reduction is in line with the performance of the stock market in general.

This figure signifies a rotation of 162% of the total number of the Company's shares, which stands at 132.98 million. Effective trading for the year amounted to Euros 1,193.01 million, which is 30.4% lower than the prior year, when the value of shares traded reached Euros 1,713.14 million. The Company's market capitalisation at 31 December 2008 amounted to Euros 312.50 million, 64.8% down on the prior year-end figure of Euros 888.30 million.

Since 1 July 2008, Tubacex has formed part of the IBEX MEDIUM CAP index, which comprises the 20 securities with the highest adjusted free-float capitalisation, excluding the thirty-five securities in the IBEX 35. This index fell by 46.5% in 2008. Up to 1 July 2008, Tubacex formed part of the IBEX SMALL CAP index, made up of the 20 securities with the highest adjusted free-float capitalisation, excluding the thirty-five securities in the IBEX 35 and the 20 in the IBEX MEDIUM CAP.

1.3 Risk management policy

As part of the activity analysis for 2008, attention should be drawn to the risk management policies currently in place to mitigate the Company's exposure to the principal risks associated with its activity, through the following basic risk control objectives:

- Conservative policies that seek only to hedge industrial and commercial margins.
- Dynamic tools designed to analyse cash flows, exposure to credit risk and the impact of fluctuations in raw material prices.
- Independent advice on the design of financial hedging strategies.
- Contracting of financial operations in established, liquid markets with financial entities of renowned prestige and solvency.
- Proactive management on the part of sales, purchases and financial managers aimed at minimising risks in accordance with prudent policies.
- Independence in the fields of financial, sales and purchasing management.
- Levels of authority defined in accordance with type of operation.
- Compliance with the hedging policies defined by the Audit Committee.

Details of the main, specific measures which the Group takes to control its exposure to the risks associated with its activity are as follows:

- Price of raw materials risk
The Group uses raw material price swaps which are due to mature when production of the corresponding order commences, in order to ensure that fixed margins are obtained when the sale is closed. This control is particularly important for hedging orders at fixed prices.
- Foreign exchange risk
The Group operates on an international scale and is therefore exposed to foreign exchange risk on foreign currency operations, particularly in US Dollars. In order to control the foreign exchange risk on future commercial

transactions involving raw material purchases and sales made in foreign currencies, group companies employ forward currency contracts negotiated with financial entities.

- Liquidity risk
The Group manages liquidity risk prudently, based on maintaining sufficient cash and negotiable securities, the availability of financing through adequate credit facilities and sufficient capacity to settle market positions.
- Interest rate risk
The Group's interest rate risk arises from current and non-current liabilities. Liabilities issued at variable rates expose the Group to cash flow interest rate risk while fixed-income loans expose the Group to fair value interest rate risk. This risk is covered mainly through the use of IRS hedges.

1.4 Commercial activity

Consolidated group sales reached Euros 671.80 million in 2008, which is down slightly (3.6%) in comparison to the prior year. As discussed in section 1.1, this is a result of the drastic changes in raw material prices in 2008.

Details of group sales by geographical market for the last three years are as follows:

	(in millions of Euros)			
	2008	2007	2006	2008/2007
Europe	407.59	508.67	368.33	-19.87%
USA	144.71	103.96	93.97	+14.95%
Other countries	119.50	84.10	76.77	+72.07%
Total sales	671.80	696.73	539.07	-3.58%

Of total sales made in 2008, 61% relate to the European market, 21% to the USA and 18% to other countries. In 2007 this distribution was 73%, 15% and 12%, respectively.

The North American market, which has been regaining ground since 2005, maintained its position in 2008 through improved levels of end demand that made it possible to minimise the weakness of the US Dollar. The European market has been seriously affected by the reduced alloying charges billed as a result of the drop in raw material prices.

The rise in sales in the rest of the world is directly attributable to the positive performance in Asia and the Group's commercial efforts to expand its presence in new markets. The opening of commercial branches in Shanghai (China), Sao Paulo (Brazil) and Dubai (United Arab Emirates) is a clear indication of the Group's commitment to strengthening its presence in these areas.

1.5. Industrial activity

During 2008 the Tubacex Group continued the strategy initiated in prior years of maintaining a strict policy of prudent investment based on in-depth analyses of expected return on proposed investments (payback in under four years). Group policy has also focused on improving its competitive position and adapting to current and future market conditions.

Investments in plant, machinery and equipment in 2008 amounted to approximately Euros 23.2 million compared to the Euros 18.4 million invested in 2007. These figures are closely linked to the implementation of the Group Strategic Plan and the Competitiveness Plan described in section 1.6 of this report.

As mentioned, this strong growth is a result of this being a historic year in terms of production-related investment. In this regard, the Group has constructed a new plant at its facilities in Ternitz (Austria) which will be used to manufacture umbilical tube, which is used in the exploration and extraction of oil under critical conditions of pressure, temperature and corrosion. Investments were also made in the facilities located in Alava aimed at improving the Group's product mix by installing a new cold rolling machine used to produce tubes designed to extract oil under extreme conditions. Further investments were also made at the Acería de Alava plant to increase production capacity.

Investments aimed at improving the efficiency of the key installations of the Group's different industrial plants have been maintained and intensified through the renovation and maintenance of equipment, tried and tested procedures for preventive installation maintenance, continuous improvement and reengineering of production processes, improvements in the quality and value added of our products and strict compliance with environmental legislation and industrial safety standards.

1.6. Competitiveness Plan

A highly ambitious plan was drawn up in mid 2003 for the Tubacex Group's main production units with a view to improving operating margins and achieving a competitive edge in terms of productivity and costs. After an initial diagnostic phase of identifying areas requiring improvement, a number of projects were launched in 2004 which have been further developed in recent years. This plan continues to be implemented and updated and is one of the Group's principal areas of activity aimed at improving profitability in the coming years.

1.7. Strategic Plan

As mentioned, the Group has two parallel Strategic Plans with timelines of 2010 and 2012, both of which have been successfully developed during the year. The cornerstones of the Group's strategy, as embodied by these plans, and the steps taken to achieve their objectives are as follows:

- Increase group profitability and volume of core business sales (seamless stainless steel tubes).

The positive trend in demand up to the last quarter of 2008 made it possible to raise prices and margins for almost all products and improve the product mix. This has enabled the Group to achieve sales and operating results clearly exceeding the goals set for 2010.

- Focus on the projects market with a more specialised product mix.

The weight of sales of higher added-value products in increasingly specialised alloys again rose considerably in 2008. However, as mentioned previously, the last months of the year saw a reduction in investments in the oil, gas and energy sectors, which has given rise to a slowdown in the number of new orders from the projects segment.

- Industrial improvements have continued to be implemented during the year and this will continue in the coming years, thus ensuring enhanced group productivity.

Production-related improvements implemented in recent years have meant that production levels in 2008 are in line with the goals established in the Tubacex Strategic Plan 2010.

- Maintain the Group's current competitive position in the European market in terms of market share and profitability.

The Group has improved its competitive position in the European market in recent years.

- Increase the Group's presence in the most rapidly expanding markets in the sector, namely North America and Asia.

Asia is being targeted through the opening of commercial offices in Shanghai and Dubai.

- Improve the Group's production possibilities through an optimum, specialised industrial structure adapted to production targets and unit costs per product, without relying on significant investments.
- A sound management and organisational structure adapted to objectives and action plans by geographical area. Organisation geared towards obtaining results.
- Broaden the product portfolio in areas of activity with higher value added and in which the Group is not yet present.

As mentioned, 2008 has been an extremely important year in terms of promoting the supply of the Group's products in the area of exploration and extraction of oil under critical conditions.

- Commercial excellence and customer service.

A customer loyalty policy has been actively pursued

throughout the year and close contact is maintained with customers. In the last three years commercial offices have been opened in Sao Paulo (Brazil), with a view to strengthening our position in the Latin American market, in Dubai (United Arab Emirates), the financial capital of the world's main oil-producing region and destination of a substantial portion of our production, and, in 2008, in Moscow, through which the Group aims to promote sales in Russia and the Commonwealth of Independent States (CIS), geographical areas with an outlook for rapid expansion in investment projects in the oil, gas and energy sectors.

2. GROUP SITUATION

The positive performance of the Group in recent years is a reflection of the level of activity maintained in the oil, gas, chemical, petrochemical and energy sectors, as well as good results in the tube distribution sector. As mentioned, the last quarter of 2008 saw the first signs of a slowdown in the level of investments in the Group's product sectors as a result of the global economic slowdown and financial crisis.

The Tubacex Group is adequately structured in all areas of strategic, industrial, commercial, economic, financial and social activity to tackle these new market conditions. Taking into account this complex business environment, the Group will strive to further adapt its production, commercial and personnel structure to the new challenges it faces.

3. SUBSEQUENT EVENTS

In February 2009 Tubacex announced that it had reached an important long-term agreement with the French company Vallourec for collaboration in research and development and commercial activities. The goal of this agreement is to enhance sales of seamless stainless steel tubes in the oil, gas and energy sectors.

In terms of research and development, Tubacex and Vallourec will create teams from both companies to develop new products. For the oil and gas markets, this will consist of developing seamless stainless and high alloys steel tubes to be used in extreme and highly corrosive conditions. In the energy sector, Tubacex and Vallourec will work together to develop new materials capable of withstanding extreme pressure and temperature conditions for the new generation of energy plants.

From a commercial point of view, the companies plan to jointly offer products and solutions aimed at the oil, gas and energy sectors. Both companies will thus be in a better position to considerably increase their sales to these sectors and offer their customers a new and more competitive range of high value added seamless stainless steel tubes.

This agreement is fully in line with the principal strategic objectives set by the Tubacex Group and will undoubtedly aid in their achievement.

4. OUTLOOK FOR THE GROUP'S BUSINESS

Having analysed 2008, a brief assessment of what could be the main trends of economic activity for 2009 and subsequent years is as follows.

With regard to the worldwide economic climate, the downturn seen particularly in the second half of 2008 is expected to continue. The profound global financial crisis will continue to have an impact on the real economy and even the most optimistic predictions only point to a slight recovery in the United States in the second half of 2009.

In the currency market, the US Dollar has recently shown greater strength against the Euro. If this trend continues, it would favour European exporters such as the Tubacex Group.

In relation to oil prices, the economic downturn gave rise to a significant decrease in the second half of 2008. So far in 2009 crude oil prices remain at around USD 40 – USD 45 per barrel. According to the International Energy Agency (IEA), these prices are unsustainable in the medium to long term without investment in new capacity.

The cost of the main raw materials used by the Group – nickel, stainless steel scrap, chromium and molybdenum – is expected to remain similar to year-end 2008 closing prices during the first part of 2009. The main reason for these relatively low prices compared to prior years is once again the economic downturn, which has given rise to a reduction in demand for these materials.

The iron and steel sector will not be immune to the downturn. Most companies in the sector have had to adjust production to adapt to the new reduced levels of demand and this situation is expected to continue throughout most of 2009.

As a result of the above, a difficult year is forecast for the seamless stainless steel tube sector, in line with the current global economic conditions. Projects in the oil, gas, chemical, petrochemical and energy sectors will be affected in the short term by the financial crisis (less financing available for investments) and uncertainty surrounding the viability of projects due to the low price of oil.

The difficult macroeconomic situation is also affecting the distribution sector in relation to the maintenance of existing energy infrastructures, as distributors are being much more conservative and reluctant to assume risks.

In 2009 the Group is therefore adopting measures to adjust its capacity and dimension to current levels of demand. As mentioned, the Group is adequately structured in all areas of activity to successfully meet the challenges of the current situation and even come out of it in a stronger position.

Tubacex expects to conclude in 2009 most of the strategic investments established in its 2012 plan aimed at innovation, specialisation and development of new products of high value added for the oil, gas, electricity and nuclear energy sectors, which will guarantee a strengthened competitive position once the crisis has been overcome. The long-term agreement signed with the Vallourec Group on 18 February for collaboration in R&D&i, technological development and commercial activities is a key step towards achieving our strategic goals.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

Given the range of products on which the Tubacex Group focuses its activities, there are permanent policies in place to promote R&D&i activities.

In 2008 the Group continued its policy of investing in projects aimed at improving its manufacturing processes through enhanced quality, cost cutting, environmental improvements, consolidation of production processes through systematisation and the defining of values, thereby improving performance and minimising rejections.

The most relevant projects carried out were as follows:

- Actions to increase Tubacex's presence in the market for tubes for the exploration and extraction of oil in critical conditions. A new nickel alloy has been developed for this purpose.
- Development of more resistant steel and alloys for use in especially aggressive environments. The Group has continued work on the multi-year programme for developing different grades of steel and nickel alloys.
- The Group has furthered the development of rust, corrosion and heat-resistant steel for energy generation plants.
- A project has been set up to develop alloys with a high nickel content for specific applications such as equipment for the production of ethylene dichloride, vinyl chloride and titanium dioxide.
- Continuation of the collaboration project with the University of Canterbury (New Zealand), with the participation of other industrial companies such as Methanex and Schmidt-Clemens Group. The objective of the agreement is to improve the manufacturing processes of alloys with a high nickel content used in energy production by monitoring the microstructure obtained.

The area of Research, Development and Innovation will receive an important boost in 2009 thanks to the collaboration with Vallourec described in section 3 above.

6. ENVIRONMENTAL ACTIVITIES

Having adapted the Group's plants to current environmental standards in recent years and certified and consolidated its Environmental Management Systems, the Basque Government has granted its integrated environmental authorisation for the TTI centres (Amurrio and Llodio), Acerálava and the Acerálava non-hazardous waste dump. These projects provide an insight into the environmental situation of the Group's activity and the improvements made in recent years as a result of the implementation and consolidation of environmental management systems and close collaboration with the authorities within the framework of environmental agreements.

In accordance with the new REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemical substances) aimed at improving the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances, and in compliance with the first phase of this regulation, the Group has pre-registered the substances used by Tubacex Tubos Inoxidables and Acería de Álava.

Tubacex Tubos Inoxidables, Acería de Álava and Schoeller-Bleckmann Edelstahlrohr currently have an officially certified ISO 14001 environmental management system in place. Consequently, the entire production process of the Llodio, Amurrio and Ternitz (Austria) plants of the Tubacex Group, from receipt of raw materials and production of stainless steel in Acería de Álava to the delivery of tubes manufactured by TTI and SBER, has been approved by an accredited entity in terms of environmental management.

As one of its priority strategies, the Tubacex Group has undertaken to carry out environmental activities and, to this end, its policy is to establish, in all the Group's business units, a system to minimise the environmental impact caused by its industrial activity through the use of economically viable clean technologies and implementation of the measures necessary to prevent pollution in all operating situations, including emergencies.

As a reflection of the implementation of this strategy and the associated human and economic resources, the Tubacex Group has achieved significant reductions in most environmental indicators in 2008. It has reduced energy and water consumption in Tubacex Tubos Inoxidables and Acería de Álava, increased recycling activities and reduced waste production.

7. INFORMATIVE REPORT PURSUANT TO THE REQUIREMENTS OF ARTICLE 116 BIS OF SECURITIES MARKET LAW FOR THE YEAR ENDED 31 DECEMBER 2008

In accordance with the requirements of article 116 bis of Securities Market Law, at their board meeting held on 27 March 2009 the directors of Tubacex, S.A. prepared this report, which contains the following information:

7.1. Capital structure, including securities not traded on an EU regulated market, indicating, where applicable, the different classes of shares and, for each class of share, the associated rights and obligations and the percentage of share capital they represent

At the date of this report, the share capital of Tubacex, S.A. amounts to fifty-nine million, eight hundred and forty thousand, four hundred and fifty-one Euros and ninety cents (€59,840,451.90), divided into one hundred and thirty-two million, nine hundred and seventy-eight thousand, seven hundred and eighty-two ordinary shares (132,978,782) of forty-five cents (€0.45) par value each, numbered from one to one hundred and thirty-two million, nine hundred and seventy-eight thousand, seven hundred and eighty-two, inclusive, and all of the same class and series.

7.2. Restrictions on the transferability of shares

There are no statutory restrictions on the transferability of Tubacex, S.A. shares.

7.3 Significant direct or indirect share capital holdings

According to the information contained in the records of the Spanish National Securities Market Commission, at 31 December 2008 details of direct or indirect share capital holdings held by directors in Tubacex, S.A., of which the Company is aware, are as follows:

NAME	No. OF DIRECT VOTING RIGHTS	No. OF INDIRECT VOTING RIGHTS	TOTAL No. OF VOTING RIGHTS	PERCENTAGE
Álvaro Videgain	88,800	9,400	98,200	0.074%
José Antonio Ardanza	40,000	-	40,000	0.030%
Gerardo Aróstegui	-	43,000	43,000	0.032%
Alejandro Echevarría	6,925	-	6,925	0.005%
Pedro Luis Uriarte	133,331	-	133,331	0.100%
Luis María Uribarren	-	637,500	637,500	0.479%
Atalaya Inversiones S.R.L.	6,653,503	-	6,653,503	5.003%
TOTAL	6,922,559	689,900	7,612,459	5.723%

According to information obtained from the Spanish National Securities Market Commission, the significant shareholders of Tubacex at 31 December 2008, excluding directors and treasury shares, are as follows:

NAME	No. OF DIRECT VOTING RIGHTS	No. OF INDIRECT VOTING RIGHTS	% OF SHARE CAPITAL
Bagoeta, S.L.	-	24,052,798	18.088%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte Piedad de Navarra	6,648,950	-	5.000%
Cartera Industrial REA, S.A.	6,648,940	-	5.000%
Zoco Inversiones, S.R.L.	4,039,564	-	3.038%
BT Pension Scheme Trustees Limited	3,997,306	-	3.006%

7.4. Restrictions on voting rights

The voting rights of Tubacex, S.A. are not subject to any restrictions.

7.5. Parasocial agreements

There are currently no agreements of this type between significant shareholders or between these and the Company or its subsidiaries.

7.6. Regulations applicable to the appointment and replacement of the members of the board of directors and modifications to the Company's articles of association

The members of the board of directors are appointed directly by the shareholders at their annual general meeting or at the proposal of the board of directors pursuant to the Spanish Companies Act. Candidates must be preceded by a proposal from the Appointments and Remunerations Committee.

The board of directors and the Appointments and Remunerations Committee will, within the scope of their competence, endeavour to ensure that potential candidates have recognised solvency, ability and experience, making sure that the procedures for appointing independent board members is highly rigorous.

The board of directors may not propose or appoint any candidate who is involved in managing the Company or who, through family or for professional or commercial reasons, is related to executive board members or other members of senior management.

In particular, the following individuals may not be proposed as independent board members: persons who hold, or have held in the last two years, executive positions in the Company; persons who are, or in the last three years have been, partners of the external auditor of the Company or any group company; persons who are related by family to persons who hold, or have held in the last two years, executive or senior management positions in the Company; persons who have, or have had in the last year, a significant business relationship with the Company, either on their own behalf or through a company in which they have a significant interest; persons who, directly or indirectly through companies in which they have a significant interest, have made or received payments or donations to or from the Company in the last three years which could compromise their independence; persons who have other relations with the Company which, in the opinion of the Appointments and Remunerations Committee, could compromise their independence;

persons who have not been proposed for appointment or renewal by the Appointments and Remunerations Committee.

The articles of association of Tubacex may be modified in accordance with the general regulations set out in the Revised Text of the Spanish Companies Act.

7.7. Powers of the members of the board of directors and, in particular, those relating to the possibility of issuing or repurchasing shares

Except in those areas which fall under the competence of the shareholders at their annual general meeting, the board of directors of Tubacex is the Company's ultimate decision-making body and is responsible for the general supervision and control of its executive bodies. The board delegates the day-to-day management of the Company to its executive bodies and management team, and is responsible for the following functions which are not delegated:

*Approving the general strategies of the Company.

*Appointing, remunerating and, where appropriate, dismissing the most senior members of management.

*Approving treasury share policy.

*Controlling management activity and assessing members of the management team.

*Identifying the main risks to which the Company is exposed, particularly those arising from derivative operations, and the adequate implementation and monitoring of internal control and information systems.

*Defining the Group's structure.

*Corporate governance policy.

*Corporate social responsibility policy.

*Determining the policy on information and reporting to shareholders, markets and the public.

*In general, operations involving substantial Company assets, and major Company operations or those which could impair the Group's fiscal transparency.

7.8. Significant agreements which enter into force are modified or expire as a result of a change in control in the Company deriving from a public takeover bid, and the effects thereof, except when disclosure could seriously prejudice the Company. This exception is not applicable when the company is legally bound to disclose this information.

At 31 December 2008 Tubacex was not party to any agreement described in article 116 bis h) of Securities Market Law.

7.9. Agreements between the Company and its directors and management or employees over indemnities if they resign or are dismissed without due cause, or if the working relationship terminates because of a public takeover bid.

No member of the management team has been dismissed during 2008 nor has the Company been the subject of any public takeover bid.

8. ACQUISITION OF TREASURY SHARES

A total of 1,227,669 treasury shares, representing 0.92% of share capital, were acquired in 2008. Together with the treasury shares previously held by the Group, the total number of treasury shares now stands at 3,142,975, which represents 2.36% of share capital.

9. PROPOSED DISTRIBUTION OF PROFIT

The board of directors of Tubacex, S.A. will propose to the shareholders at their annual general meeting that the profit for the year be distributed as follows:

	Thousands of Euros
Legal reserve	-
Voluntary reserves	4,934
Ordinary dividend	13,154
Total	18,088

Dividends are employed to remunerate shareholders and 35% of net consolidated profit for 2008 will be distributed. This is the same percentage distribution as in 2007.

10. FINANCIAL INSTRUMENTS

Detailed information in relation to forward currency and raw material contracts and interest rate swaps held by the Tubacex Group at 31 December 2008 are shown in note 9 to the consolidated annual accounts.

11. OTHERS

11.1. Audit fees

Audit fees and expenses invoiced in respect of professional services performed for the Tubacex Group (in Spanish companies) in 2008 amount to Euros 229 thousand. Fees

and expenses invoiced for other services amount to Euros 3 thousand.

12. ANNUAL CORPORATE GOVERNANCE REPORT

In accordance with the requirements of article 202,5 of Spanish Companies Act, the Annual Corporate Governance Report, forming an integral part of the consolidated directors' report, is enclosed in a separate file.