

CHAIRMAN'S STATEMENT

Dear Shareholder,

For yet another year I have the honour of addressing you as Chairman of TUBACEX to inform you about the most noteworthy aspects that have taken place during the financial year, as well as about the main strategic courses of action we are implementing in our industrial Group.

I also wish to express my gratitude, especially in these difficult times, for the trust that you continue to place in our Company.

Before going on to describe how financial year 2008 unfolded, I would like to notify you that we have made some changes in our Annual Report in order to adapt to new times and gradually increase the documentation we provide you with in digital format. This year's printed Annual Report has fewer pages because we have included all the legal information in digital format on CD-ROM. Of course, and as usual, you can access all the information on our corporate website: www.tubacex.com.

Economic situation

Financial year 2008 evolved in an atmosphere of international economic crisis, notably acute in the later part of the year, when the world's most important economies suffered a serious deterioration of their growth rates, with important slumps in activity, private consumption and business investment.

In spite of this situation, the performance of the seamless stainless steel tube market was good during the greater part of the year, although it experienced a very important drop in the last quarter. At TUBACEX we started the year with a long order book from 2007, and the positive demand situation for tubes continued, especially for new investment projects in the oil, gas, petrochemical and energy sectors, encouraged by high oil prices, which reached almost 150 dollars a barrel in the first half of the year.

The sharp fall in oil prices from July onwards, to finish the year at around 40 dollars a barrel, together with the financial restrictions on new investment projects, determined the practical disappearance of demand for our products in the final stretch of 2008.

Moreover, two other factors that had a negative effect on the evolution of the year need to be emphasised. I am referring, firstly, to raw materials, chiefly nickel and molybdenum, whose average prices dropped considerably, meaning a negative impact on the Company's profits due to the correction in stock inventory valuations, and, secondly, to the strength of the euro against the dollar, which continues to hinder our exports to markets that use the US currency.

Results

As a result of this market situation, there was a slight decrease in our sales of 3.6%, for a total amount of 671.8 million euros. EBITDA reached 72.38 million euros (-31.8%) and net profit was 37.58 million euros (-33.7%), both affected by the provisions made in the last quarter to cover labour liabilities arising from application of substitution

contracts through to 2012 and to reflect the slump in raw material prices in inventory valuations, for an amount in excess of 15 million euros.

During the last quarter, in view of the deteriorating demand, we implemented a battery of measures that would enable us to adapt our capacity to the market situation, which included removing some shifts, reducing costs and improving working capital. These measures will, logically, be continued in 2009, as I shall mention later.

Taking the previous factors into account, the results obtained are good, the second highest in the Company's history, if we take into consideration that they were achieved in complicated market conditions. Application of the guidelines laid down in the Strategic Plan and in the Competitiveness Scheme, together with the efforts of the entire organisation, were decisive in their attainment.

Strategic Plan

In addition, we worked intensively on the future design for the Company throughout the year. One year ago, I stated on these pages that, having fulfilled the goals marked out in the Strategic Plan 2010 much earlier than expected, we were already drawing up a new Plan, this time with a 2012 time horizon. Well, we have already approved and we started to apply this new Plan in 2008, aimed at consolidating our leading position in the seamless stainless steel tube sector.

To achieve this, we are already developing production capabilities in those segments which involve a higher level of specialisation and value added within the oil, gas and energy sectors in which highest growth is expected, such as in oil and gas exploration and extraction in extreme conditions (offshore and deep water), new generation of power plants and nuclear energy. In 2008 we carried out investments for the amount of 23.2 million euros, a great deal of which was in fulfilling the goals of the Plan.

Innovation

Another strategic factor in which we are concentrating many efforts is innovation, because we are convinced that it is a key aspect for the future development of the Company. We are moving forward on a transversal concept of innovation (R&D&I) in which, in addition to technological innovation, we include the generation of new ideas, products, processes, services and management practices, in order to contribute towards increasing productivity and business efficiency. In short, to create more value for our customers and shareholders.



We have begun introducing a new organisation to manage innovation, which will enable us to increase the capacity of TUBACEX to create new products and services and to increase the degree of innovation in processes. Our intention is to enhance the resources allocated to innovation, because we are convinced that this will enable us to emerge stronger from the current international economic crisis.

As a result of the work we have been carrying out during this time, last February we signed a long-term R&D&I and sales collaboration agreement with Vallourec & Mannesmann, with the aim of enhancing our supply of seamless stainless steel tubes for the oil, gas and energy generation sectors. This agreement is going to give an important boost not only to our innovation strategy but also to our sales supply in the said demand sectors.

Corporate governance

For some time now, another of our priorities has been the incorporation of new practices as regards Corporate Governance. The intention and commitment of the Board of Directors to continue incorporating all aspects that favour transparency in management into its activities seeks to consolidate the leading position that TUBACEX holds regarding good governance.

This year's Corporate Governance Report is an integral part of the Management Report and you will find it in the model required by the Spanish Stock Market Commission (CNMV), among the legal documentation included on the CD-ROM in this Annual Report.

Corporate Social Responsibility

In the field of Corporate Social Responsibility, TUBACEX is also a leading player in the Spanish business scenario. We are aware that in a globalised world like the one we live in, value creation is a commitment for the Company not only with our shareholders but also with all the interest groups that we are in contact with: employees, customers, suppliers and society in general.

This is why we are committed to business ethics, good governance, transparency, sustainability, respect for the environment, occupational hazard prevention, as well as to contributions to society and to culture in its different forms. Extensive information on this matter is included in the Annual Report.

Dividend

With regard to the shareholder remuneration policy and continuing with our goal of value creation and profitability optimisation, the Board of Directors will propose a dividend of 0.1013 euros per share this year, involving a total payment of 13.15 million euros, which means a payout of 35% of the profits obtained in 2008.

Stock Market

As far as the Stock Market is concerned, the evolution of our share price, closely linked to the oil price, performed well until late June, when it suffered a serious reverse, like practically all the stock markets and securities in the world, in the second half of the year. After seven

consecutive years of rises, the share price fell by 64.8% in 2008.

Forecasts for 2009

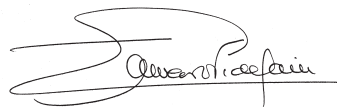
With regard to the current year, the prospects for the international economy are worrying. The forecasts issued by international organisations describe a recession scenario in 2009 for virtually all countries.

For TUBACEX the year started negatively, with an important decrease in order intake, leading us to intensify the measures taken in the last quarter of 2008 in order to adapt the capacity of our facilities to the true market situation. To achieve this, the Company has started to apply temporary employment reductions at its main factories in Spain and Austria, to balance capacity and demand, although at the same time allowing a fast reaction of the Company's production structure to customer requirements. In the same way, plans have been put into operation in all companies in the Group to improve efficiency, processes and competitiveness, as well as programmes to reduce costs and expenses, and very active plans to reduce working capital.

We trust that for the next financial year a reactivation will have begun, initiated by the United States of America, which will also be favoured by the appreciation that the dollar is experiencing in recent months, as well as by an increase in oil prices. Moreover, our level of internationalisation will enable us to be present in the different markets at the time when demand in them is reactivated.

In the short term we shall continue to adapt our capacities and costs to the current market conditions. We shall continue to insist on innovation and to place our stakes on developing higher value added products for the oil, gas and power generation sectors, and also to proceed with strategic investments.

We are backed by a solid balance sheet and a very stable financial position, which, together with our strong presence in markets, provide us with stability to face this crisis situation. These factors, plus the actions we are implementing in our strategic plan, places Tubacex in a sound position for the future.



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