

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Annual Accounts

31 December 2009 and 2008

Prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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1. Nature, Principal Activities and the Group

Tubacex, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 6 June 1963. The registered offices of the Company are located in Llodio (Alava, Spain).

The statutory activity of the Company consists, inter alia, of the manufacture and sale of special seamless steel tubes, mainly of the stainless steel variety, as well as any other activity related to the iron and steel industry or other similar activities. Nevertheless, as of 1 January 1994 the Company was converted into a holding company and head of the Tubacex Group, with no production activity, as this is carried out by its subsidiaries.

The principal activity of Tubacex, S.A. consists of the holding of shares and the rendering of certain centralised and leasing services to group companies, which are subsequently invoiced.

Tubacex, S.A. is parent of a group of companies comprising the subsidiaries detailed in the accompanying Appendix, which forms an integral part of this note. The principal activity of Tubacex, S.A. and subsidiary companies (hereinafter the Group) comprises the manufacture and sale of special seamless steel tubes, mainly of the stainless steel variety.

The shares of Tubacex, S.A. are listed on the Spanish organised stock market.

2. Basis of Presentation

The accompanying consolidated annual accounts are presented in thousands of Euros and have been prepared under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Tubacex, S.A. and subsidiaries at 31 December 2009, as well as the consolidated results of their operations, consolidated cash flows and changes in consolidated equity for the year then ended. On 1 January 2004 the Group adopted EU-IFRS, and applied IFRS 1 “First-time Adoption of IFRS” on the same date.

The directors consider that the 2009 consolidated annual accounts, prepared on 25 February 2010, will be approved without significant changes.

2.1 Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

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2.2 Relevant accounting estimates, assumptions and judgements

The preparation of consolidated annual accounts in conformity with EU-IFRS requires management to make judgements, estimates and assumptions when applying group accounting principles, principally in relation to the review of impairment of goodwill (note 6(a)), capitalisation of tax credits (note 12) and employee benefits (note 18).

Although estimates were based on the best information available at 31 December 2009 and 2008, future events may require these estimates to be modified in subsequent years. The effect on the consolidated annual accounts of any modifications deriving from adjustments to be made in the coming years would be recorded prospectively.

In 2009 no significant changes have been made to judgements or accounting estimates used by the Company in prior years.

2.3 Standards and interpretations not applied

The IASB has issued new accounting standards (IFRS) and interpretations (IFRIC) which are due to become effective for accounting periods beginning on or after 1 January 2010. Details of the nature of the changes in accounting policy and a summary of group management's assessment of the impact of these new standards are as follows:

IAS 24 (revised): Related party disclosures – issued November 2009 (pending adoption by the European Union)

This amendment to IAS 24 exempts an entity from having to disclose balances and transactions with the board of directors when the board exercises control, joint control or significant influence over the entity.

The Group does not foresee any material impact arising from adoption of this amendment.

Amendment to IAS 32: Classification of rights issues – issued October 2009

The IASB has amended IAS 32 to establish that financial instruments which give all shareholders the option to acquire a fixed number own equity instruments in exchange for a fixed amount of cash in a currency other than the issuing entity's functional currency, should be classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's equity instruments. This amendment is effective for periods beginning on or after 1 January 2011.

The Group does not carry out any transactions of this type and thus considers that application of this amendment would not have an effect on the Group's consolidated annual accounts.

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Amendment to IAS 39: Exposures qualifying for hedge accounting

This amendment, effective for periods beginning on or after 1 July 2009, clarifies the application of existing criteria to determine which risks or cash flows can be designated as a hedged item.

The Group does not foresee any material impact arising from adoption of this amendment.

IFRS 1 (revised): First-time adoption of IFRS – issued November 2008

This amendment improves the structure of IFRS 1, but does not contain any technical changes, and was introduced to facilitate comprehension of the standard. Application is effective for periods beginning on or after 1 January 2010.

As the Group is not a first-time adopter of IFRS, this amendment has no impact on the consolidated annual accounts.

Amendment to IFRS 1: Additional exemptions for first-time adopters of IFRS – issued July 2009 (pending adoption by the European Union)

In order to facilitate transition to IFRS for the oil and gas sectors, this amendment incorporates new exemptions for the allocation of costs attributed to exploration and evaluation assets and assets in the development and construction phases

As the Group is not a first-time adopter of IFRS, this amendment has no impact on the consolidated annual accounts,

Amendments to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – issued January 2010 (pending adoption by the European Union)

This amendment establishes that entities which already prepare their financial reporting under IFRS are not required to provide comparative information for the disclosures required by the amendments, prior to the IFRS 7 amendments becoming effective.

As the Group is not a first-time adopter of IFRS, this amendment has no impact on the consolidated annual accounts.

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Amendment to IFRS 2: Group cash-settled share-based payment transactions – issued June 2009 (pending adoption by the European Union)

This amendment incorporates guidance previously included in IFRIC 8 and IFRIC 11, which have been withdrawn, and determines the accounting treatment of cash-settled share-based payments between group companies in the individual financial statements of each group entity participating in the transaction.

The Group does not foresee any material impact arising from adoption of this amendment.

IFRS 3 (revised) Business combinations and IAS 27 (amended) Consolidated and separate financial statements – issued in January 2008

These revised and amended standards are applicable for periods beginning on or after 1 July 2009 and some of the main changes are as follows:

- a) Partial acquisitions. Non-controlling interests (formerly called minority interests) are measured either at fair value (which involves recognising all goodwill regarding non-controlling interests) or as their proportionate interest in the fair value of the net identifiable assets (which is the original IFRS 3 requirement).
- b) Step acquisitions: once goodwill is determined at the acquisition date, the fair value of any investment in the business held before the acquisition is measured at fair value through profit or loss.
- c) Transaction costs related to business combinations are recognised as expenses.
- d) Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in profit or loss rather than by adjusting goodwill.
- e) Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.
- f) Entities must attribute a portion of the accumulated losses of a subsidiary corresponding to non-controlling interests, even if this results in a debtor balance in the non-controlling interests.

The Group does not foresee any material impact arising from adoption of these modifications.

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IFRS 9 – Financial Instruments – issued November 2009 (pending adoption by the European Union)

This standard, which partially replaces IAS 39, simplifies the classification and measurement criteria for financial instruments, maintaining a mixed measurement model and establishing only two main financial asset categories: amortised cost and fair value. The classification criteria is based on the entity's business model and the characteristics of the financial asset's contractual cash flows.

The Group will assess the impact of this standard for the first year in which it becomes effective.

Annual IFRS improvement project – issued April 2009 (pending adoption by the European Union)

The annual improvement project introduces changes or clarifications which affect a range of standards and whose impact is generally not significant.

The Group does not foresee any material impact arising from adoption of this amendment.

Amendment to IFRIC 14: Prepayment of a minimum funding requirement – issued November 2009 (pending adoption by the European Union)

This amendment determines the accounting treatment to be applied to prepayments when there are also minimum funding requirements.

The Group does not foresee any material impact arising from adoption of this amendment.

IFRIC 12: Service Concession Agreements – issued November 2006

This interpretation, effective for periods beginning on or after 27 March 2009, addresses how service concession operators should apply IFRS when the contract involves a public sector entity (grantor) and a private sector entity (operator) which constructs infrastructure that is used to provide a public service over a specified period of time in exchange for a consideration.

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts.

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IFRIC 15 – Agreements for the Construction of Real Estate – issued July 2008

This interpretation, effective for periods beginning on or after 1 January 2010, develops the accounting treatment for the recognition of revenue by real estate developers, although the agreements can be extrapolated to other types of similar contracts.

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation – issued July 2008

This interpretation, effective for periods beginning on or after 30 June 2009, establishes which types of exchange differences of a foreign operation qualify for hedge accounting and which entities within the Group can hold hedging instruments.

The Group will assess the impact of this interpretation for the first year in which it becomes effective.

IFRIC 17 – Distributions of Non-Cash Assets to Owners – issued November 2008

IFRIC 17, effective for periods beginning on or after 1 November 2009, provides guidance on the accounting treatment of distributions of non-cash assets in which all shareholders are treated equally, but does not apply to common control transactions.

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts.

IFRIC 18 – Transfers of Assets from Customers – issued January 2009

This interpretation provides guidance on how to account for assets received from customers in order to connect them to a supply of electricity or water. This interpretation is generally applicable to regulated sectors such as electricity, water or other utility providers, and is effective for periods beginning on or after 1 November 2009.

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts

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IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – issued November 2009 (pending adoption by the European Union)

This interpretation determines the accounting treatment to be applied to transactions in which financial liabilities are extinguished or partially extinguished through the issue of equity instruments to the creditor, also called debt for equity swaps.

The Group does not foresee any material impact arising from adoption of this interpretation.

2.4 Comparison of information

New accounting standards and interpretations effective for periods beginning on or after 1 January 2009 and which may have had an effect on the information presented in the prior year are as follows:

a) Review of IAS 1 – Presentation of Financial Statements.

This standard amends the requirements for presenting financial statements, and incorporates the statement of comprehensive income comprising items of income and expense and components of other comprehensive income. It also allows for the option of presenting two separate statements: an income statement followed by a statement of comprehensive income.

The Group has opted to present two separate statements comprising an income statement and a statement of comprehensive income. The interim financial statements have been prepared applying revised IAS 1 and comparative information has been restated. As this change only affects the presentation, it has no impact on earnings per share.

b) IFRS 8 – Operating Segments

This standard became effective on 1 January 2009 and replaces IAS 14, Segment Reporting. This standard amends the approach of identification by segments, which become components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Group's reporting segments have not been modified, and consequently, the information corresponding to prior years has not been restated.

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3. Distribution of Profit

The proposed distribution of Tubacex, S.A. profit for 2009, prepared by the directors and pending approval by the shareholders at their annual general meeting, and the approved distribution of 2008 profit, are as follows:

	Thousands of Euros	
	<u>2009</u>	<u>2008</u>
Dividend of Euros 0 per ordinary share (Euros 0.099 in 2008)	-	13,154
Voluntary reserves	<u>17</u>	<u>4,934</u>
Total distributable profit	<u>17</u>	<u>18,088</u>

4. Significant Accounting Principles

The consolidated annual accounts have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS).

A summary of the most significant principles is as follows:

4.1 Subsidiary companies

Subsidiary companies are all entities over which the Company exercises direct or indirect control. Control is defined as the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities, and is considered to be the potential voting rights that presently are exercisable or convertible held by the Group or third parties at year end.

The annual accounts or financial statements of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

As permitted by IFRS 1 First-time Adoption of IFRS, the Group has opted to apply the exemption whereby only business combinations which occurred after 1 January 2004, the date of transition to EU-IFRS, have been recognised using the purchase method. Acquisitions of entities prior to this date were recognised in accordance with generally accepted accounting principles in Spain (Spanish GAAP) once all necessary corrections and adjustments at the transition date were taken into account.

The cost of business combinations is measured as the aggregate of the fair values of assets contributed, liabilities incurred or assumed and equity instruments issued by the Group, in exchange for control over the acquiree, plus any costs directly attributable to the business combination.

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Where the cost of the business combination exceeds the Group's interest in the fair value of the identifiable net assets of the entity acquired, the difference is recognised as goodwill.

Details of subsidiary companies and related information are shown in the Appendix to these notes.

Although the Group exercises effective control over certain subsidiaries of the Schoeller-Bleckmann Edelstahlrohr GmbH and subsidiaries subgroup (hereinafter SBER) (see Appendix), the effect is immaterial (approximately 0.44% of consolidated assets) and they are therefore accounted for using the equity method, i.e. at the equity of the investment less dividends and any impairment losses. The Group's share of profit or loss in these subsidiaries is recognised as an increase or decrease in the investment with a balancing entry in "Share of profit of equity accounted investees" in the consolidated income statement. The Group's share of total income and expenses recognised by the subsidiary directly in equity since the acquisition date is recognised, where appropriate, as an increase or decrease in the investment with an equivalent, separate entry under equity.

In 2009 the CFT Servicios Inmobiliarios, S.A., group, controlled by the directors of Tubacex, S.A., was incorporated into the Tubacex Group. This group comprises the aforementioned company, Newco Metals B.V. and Special Steels do Brasil Distribuição de Acos Ltda. The percentages of ownership are shown in the accompanying Appendix.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The financial statements of consolidated subsidiaries reflect the same reporting date and period as that of the parent company.

(i) Minority interests

Minority interests in subsidiaries are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Minority interests are disclosed in the consolidated balance sheet under equity separately from equity attributable to the parent. Minority interests' share in consolidated profit or loss for the year and in consolidated comprehensive income for the year is disclosed separately in the consolidated income statement and in the consolidated statement of comprehensive income.

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4.2 Foreign currency transactions and balances**4.2.1 Functional and presentation currency**

The annual accounts for each group company are expressed in the functional currency of the primary economic environment in which the Company operates. The consolidated annual accounts are presented in Euros, which is the Company's functional and presentation currency.

4.2.2 Transactions, balances and cash flows in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions.

Cash flows from transactions in foreign currency are translated into Euros in the consolidated statement of cash flows at the exchange rate prevailing at the transaction date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Nevertheless, foreign exchange gains and losses arising in monetary captions which form part of the net investment in foreign operations are recognised as translation differences in equity.

Exchange gains or losses on monetary financial assets or liabilities expressed in foreign currency are likewise taken to the income statement.

4.2.3 Translation of foreign operations

As permitted by IFRS 1 First-time Adoption of IFRS, the Group has opted to apply the exemption whereby accumulated translation differences generated prior to 1 January 2004 and recognised in the consolidated annual accounts are shown under retained earnings. As of that date, the translation into Euros of foreign operations is based on the following criteria:

- Assets and liabilities are translated at foreign exchange rates ruling at the balance sheet date;
- Revenues and expenses are translated at rates ruling at the transaction date; and
- Foreign exchange differences arising from application of the above criteria are recognised as a separate component of equity.

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Differences on translation of deferred tax assets and liabilities denominated in foreign currencies and deferred income taxes are included in the consolidated income statement.

4.3 Property, plant and equipment

4.3.1 Initial recognition

Items of property, plant and equipment are stated at cost of acquisition, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset. The cost of production is capitalised with a charge to self-constructed non-current assets in the consolidated income statement.

4.3.2 Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Group determines the depreciation charge separately for each component of property, plant and equipment with a cost that is significant in relation to the total cost of the asset.

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Estimated useful life</u>
Buildings	25 - 48
Plant and machinery	5 - 20
Other installations, equipment and furniture and other property plant and equipment	5 - 10

The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

4.3.3 Subsequent costs

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

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4.3.4 Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on property, plant and equipment in accordance with the criteria described in note 4.10.

4.4 Intangible assets4.4.1 Goodwill

Goodwill generated on business combinations after the transition date (1 January 2004) is initially recognised as the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or joint venture acquired and assumed, respectively.

Goodwill is not amortised but is tested annually for impairment, or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

4.4.2 Greenhouse gas emission rights

Emission rights are recognised when allocated to the Group at cost less accumulated amortisation and impairment. Rights acquired free of charge or substantially below fair value are stated at fair value. The difference between this value and any consideration paid is recognised with a credit to deferred income.

Government grants are taken to income in line with actual emissions compared to total forecast emissions for the entire period for which they were assigned.

Emission rights are not amortised.

4.4.3 Other intangible assets

Other intangible assets acquired by the Group are stated at cost, less accumulated amortisation and impairment losses.

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4.4.4 Useful lives and amortisation

Intangible assets with defined useful lives are amortised on a straight-line basis over the five-year period of expected use.

The amortisable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives and amortisation methods at each balance sheet date. Changes to initially established criteria are recognised as a change in estimates.

4.4.5 Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets based on the criteria described in note 4.10.

4.5 Financial instruments**4.5.1 Classification of financial instruments**

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument, in accordance with the substance of the contractual agreement and the definitions of a financial asset, financial liability and equity instrument set out in IAS 32 Financial Instruments: Disclosure.

Financial instruments are classified as financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. This classification depends on the nature of the instrument and the purpose for which it was acquired.

Regular way purchases and sales are accounted for at trade date, when the Group undertakes to purchase or sell the asset.

4.5.2 Offsetting principles

A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to set off the recognised amounts or intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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4.5.3 Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading. A financial asset or financial liability is classified as held for trading if:

- it is acquired or incurred mainly for sale or repurchase in the immediate future;
- it is a derivative, except a derivative which has been designated as a hedging instrument and complies with conditions for effectiveness or one which is a financial guarantee contract.

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the consolidated income statement.

After initial recognition, they are recognised at fair value and any changes are taken to profit and loss.

4.5.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and are different from those classified in other categories of financial assets. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method.

4.5.5 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Group management has the intention and ability to hold to maturity, and which are different from those classified in other categories. Financial instruments classified in this category are measured using the same criteria as for loans and receivables.

During the year, the Group has not sold or reclassified any investments in this category.

4.5.6 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or do not comply with requirements for classification in the other categories.

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Available-for-sale financial assets are recognised initially at fair value, including transaction costs directly attributable to the purchase.

After initial recognition, financial assets classified in this category are measured at fair value and any gain or loss is accounted for in consolidated equity, except for impairment losses.

4.5.7 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In general, the Group applies the following systematic hierarchy to determine the fair value of financial assets and liabilities:

- The Group applies the quoted prices in the most advantageous active market to which it has immediate access, adjusted, where appropriate, to reflect any difference in credit risk between the instruments normally traded in that market and that which is being valued. The current bid price is used for assets held or liabilities to be issued and the asking price for assets to be acquired or liabilities held. If the Group has assets or liabilities which offset market risks, mid-market prices are used for establishing fair values for the offsetting risk positions, and the bid or asking price is applied to the net open position as appropriate.
- If no market prices are available, recent transaction prices are used, adjusted to current conditions.
- Otherwise, the Group applies commonly used measurement techniques employing market data as much as possible and, to a lesser extent, specific group data.

4.5.8 Amortised cost

The amortised cost of a financial asset or liability is the amount at which the asset or liability was initially measured, less repayments of the principal, plus or minus imputed or gradually accumulated amortisation, based on the effective interest method, any difference between the initial value and repayment value on maturity, less any reduction due to impairment or defaults.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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4.5.9 Impairment

A financial asset or group of financial assets is impaired and has generated an impairment loss if there is objective evidence of impairment as a result of an event or events which have occurred subsequent to initial recognition of the asset, and where the event or events causing the loss have an impact on the estimated future cash flows from the asset or group of financial assets which can be reliably estimated.

The Group recognises impairment losses and defaults on loans and other receivables through recognition of a corrective provision for financial assets. When the impairment loss and default are considered to be irreversible, the carrying amount is eliminated against the corrective provision. Reversals of impairment losses are likewise recognised against the corrective provision.

Impairment of available-for-sale financial assets

Declines in the fair value of available-for-sale financial assets are recognised directly in consolidated equity when there is objective evidence that the asset is impaired, even though the financial asset has not been derecognised. The amount of the loss recognised in profit or loss is the difference between the acquisition cost, net of any reimbursement or repayment of the principal, and current fair value, less any impairment loss previously recognised in profit or loss for the year.

Impairment losses relating to investments in equity are not reversible and are therefore recognised directly against the value of the asset and not as a corrective provision.

The increase in the fair value of debt instruments, which could objectively be related to an event after recognition of the impairment, is recorded against profit or loss up to the amount of the previously recognised impairment loss and any excess is recognised in equity.

4.5.10 Financial liabilities

Financial liabilities, including trade and other payables, not measured at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to issuance of the liabilities, and are subsequently carried at amortised cost using the effective interest method.

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4.5.11 Derecognition of financial assets

Financial assets are derecognised when the rights to receive the related cash flows have matured or have been transferred and the Group has substantially transferred the risks and rewards inherent to ownership.

Upon derecognition of a financial asset the difference between its carrying amount and the sum of the consideration received, net of transaction costs and including the assets obtained or liabilities assumed and any profit or loss deferred in equity, is taken to the income statement.

4.5.12 Derecognition and modification of financial liabilities

The Group derecognises all or part of a financial liability when the obligations included in the contract have been satisfied, cancelled or have expired.

The Group recognises the difference between the carrying amount of a financial liability (or part of a financial liability which has been cancelled or transferred to a third party) and the consideration paid, which includes any asset transferred other than cash or the liability assumed, with a debit or credit to the consolidated income statement.

4.6 Hedge accounting

Derivative financial instruments are initially recognised using the aforementioned criteria for financial assets and liabilities. Derivative financial instruments which do not comply with hedge accounting criteria are measured as financial assets and liabilities at fair value through profit or loss. Derivative instruments which meet hedge accounting criteria are initially recognised at fair value plus or less any transaction costs directly attributable to contracting or issuing the hedge, respectively.

The Group contracts cash flow hedges.

At the inception of the hedge, the Group designates and formally documents the hedge relationship, as well as the related objective and strategy. Hedge accounting is only applicable when at the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. (prospective analysis) and the actual results of the hedge can be reliably determined to be within a range of 80-125% (retrospective analysis).

For cash flow hedges on highly probable forecast transactions, the Group assesses whether these transactions are highly probable and if their risk exposure to changes in cash flows could ultimately affect profit or loss.

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The Group only designates assets and liabilities and highly probable forecast transactions that involve a party external to the Group as hedged items.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion of the gain or loss on the hedging instrument, as well as cash flows excluded from the hedge effectiveness test, are recognised under finance income or expenses.

The separate component of equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it shall reclassify into finance income or expenses the amount that is not expected to be recovered.

The Group recognises the associated gains and losses that were recognised directly in equity into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss in the same caption of the consolidated income statement.

The Group discontinues hedge accounting prospectively if the hedging instrument expires, is sold or if the hedge no longer complies with the conditions which qualified it for hedge accounting. In these cases, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity is not taken to profit and loss until the forecast transaction occurs.

4.7 Parent company shares

Treasury shares acquired by the Group have been presented separately at cost as a reduction in equity in the consolidated balance sheet, irrespective of the purpose for which they were acquired, and no gains or losses have been recorded as a result of transactions carried out with treasury shares.

4.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of acquisition, transformation and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

The formula applied by the Group for determining the cost of each type of inventory is as follows:

- a. Goods for resale: at weighted average cost of acquisition.
- b. Raw materials and goods held for transformation: at weighted average cost.
- c. Finished goods and work in progress: at weighted average cost of raw and other materials consumed, including costs directly related to the units produced and the applicable portion of direct, indirect and variable costs incurred during the conversion process. Indirect costs are incorporated based on normal or actual production.

When measuring inventories, costs linked to underproduction have not been capitalised.

The cost of inventories is adjusted when cost exceeds net realisable value. Net realisable value is considered as the following:

- Raw materials and goods held for transformation: replacement cost. However, materials are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.
- Goods for resale and finished goods: estimated selling price, less costs to sell.
- Work in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion and costs to sell.

Inventory adjustments and reversals are recognised in the consolidated income statement. Reversals of reductions in the value of inventories are credited to “Changes in inventories of finished goods and work in progress” and “Raw materials and consumables used”.

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in financial institutions and other short-term, highly liquid investments which mature soon and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The statement of consolidated cash flows includes bank overdrafts. However, bank overdrafts are classified as current liabilities in the consolidated balance sheet.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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The Group recognises interest received as cash flows from investing activities and interest paid as cash flows from operating activities. Dividends are classified as financing activities.

4.10 Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation, including those corresponding to equity accounted companies, to verify whether the carrying amount of these assets exceeds their recoverable amount.

Goodwill is tested annually for impairment, irrespective of whether any indication of impairment exists.

4.10.1 Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Negative differences arising from comparison of carrying amounts of assets with their recoverable amounts are expensed.

Impairment losses recognised for CGUs are initially allocated to reduce, where applicable, the goodwill attributed to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each of the assets, which is limited to the highest of its fair value less costs to sell, its value in use and zero.

4.10.2 Reversal of impairment

At each closing date the Group assesses whether there are any indications that impairment losses recognised in prior years no longer exist or have decreased. Impairment losses in respect of goodwill are not reversed. Impairment losses in other assets are only reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

4.11 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

4.11.1 Capital grants

Capital grants awarded in the form of monetary assets are credited to deferred income at fair value in the consolidated balance sheet and are taken to other income in line with the depreciation of the financed assets.

The accounting treatment of grants for emission rights is described in note 4.4.2.

4.11.2 Operating subsidies

Operating subsidies received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support unrelated to future expenses, are recognised as other income in the consolidated income statement.

4.11.3 Interest rate subsidies

Financial liabilities incorporating implicit aid in the form of lower-than-market interest rates are recognised initially at fair value. The difference between fair value, adjusted where applicable for the issuing costs of the liability and the amount received, is recorded as a government grant in line with the nature of the grant received.

4.12 Employee benefits**4.12.1 Pension commitments**

The Group has assumed certain commitments with employees that comply with the conditions for them to be classified as defined contribution plans, and which involve contributions to a Voluntary Social Welfare Entity (EPSV). A separate part of these commitments was covered in prior years by contracting a single premium insurance policy.

4.12.2 Other long-term employee benefits

Under commitments assumed by certain subsidiary companies with their employees, the Group is obliged to award length-of-service bonuses upon retirement, which are settled more than twelve months after the close of the period in which they are accrued.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

Actuarial gains and losses deriving from defined benefit plans or payments to employees under relief contracts are recognised under personnel expenses in the income statement.

4.12.3 Profit-sharing and bonus schemes

The Group recognises profit-sharing and bonus schemes in the consolidated income statement where contractually obliged or where a past practice has created a constructive obligation that can be reliably estimated.

4.12.4 Termination benefits

Indemnities paid for termination of employment which are unrelated to restructuring processes are recognised when the Group is demonstrably committed to terminating employment before the normal retirement date.

4.13 Provisions**4.13.1 General criteria**

Provisions are recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The amounts recognised as a provision are the best estimate of the outflows required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related with the provision and, where significant, the effect of the time value of money, provided that the outflows required in each period can be reliably measured.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement caption where the corresponding expense was recorded, and any excess is recognised as other income.

4.13.2 Provision for emission rights

Provision is made systematically for expenses related to the emission of greenhouse gases. This provision is cancelled once the corresponding free-of-charge and market-acquired rights granted by public entities have been transferred.

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Provision is made under the assumption that these obligations will be cancelled:

- Firstly, through emission rights transferred under the National Allocation Plan. The expense corresponding to this part of the obligation is determined based on the carrying amount of the emission rights transferred.
- Through surplus emission rights. The cost of this part of the obligation is determined using the average price or average weighted cost of the emission rights.
- As the Group has sufficient emission rights, it has not made any further provision for the acquisition of additional rights.

4.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business, net of VAT and any other amounts or taxes which, in substance, correspond to amounts received from third parties.

Prompt payment, volume or other types of discounts which are considered probable when revenue is recognised are recorded as a reduction in revenue.

4.14.1 Goods sold

Revenues on the sale of goods are recognised when the following conditions have been satisfied:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be reasonably measured.

4.14.2 Services rendered

Revenues on services rendered are recognised in the year in which they take place.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

4.14.3 Dividends

Revenue from dividends is recognised when the Group's right to receive payment is established.

4.15 Leases

Lease contracts in which the significant risks and rewards inherent to ownership of the asset are substantially transferred to third parties are classified as finance leases, and are otherwise recorded as operating leases.

4.15.1 Operating lease: lessee

The Group has the right to use certain assets through lease contracts.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

4.16 Income tax

Income tax comprises current and deferred tax.

Current tax is the estimated tax payable or recoverable on the taxable income for the year using tax rates enacted at the consolidated balance sheet date and any adjustment to tax payable or recoverable in respect of previous years.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognised as income or an expense except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

4.16.1 Recognition of deferred tax liabilities

Deferred tax liabilities are recognised, except when they:

- arise from the initial recognition of goodwill;

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

- correspond to differences associated with investments in subsidiaries and business combinations over which the Group is able to control the timing of the reversal thereof and it is not probable that the timing difference will reverse in the foreseeable future.

4.16.2 Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit at the date of the transaction.

4.16.3 Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilised. Deferred tax assets which do not fulfil the previous conditions are not recognised in the consolidated balance sheet. Furthermore, at year end the Group re-evaluates whether previously unrecognised deferred tax assets meet the criteria to be recognised.

4.16.4 Classification and offsetting

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised on the consolidated balance sheet under non-current assets or liabilities, irrespective of the date of realisation or settlement.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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4.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

At 31 December 2009 the Group comprises the following operating segments, the main products of which are as follows:

- Seamless stainless steel tubes
- Carbon steel tubes

Segment reporting is disclosed shown in note 27.

4.18 Classification of assets and liabilities as current and non-current

Assets and liabilities in the consolidated balance sheet are classified as current and non-current. Current assets and liabilities are those which comply with the following criteria:

- Assets are classified as current when they are expected to be realised, sold or traded in the Group's ordinary course of business within twelve months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability for at least twelve months after the balance sheet date.
- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within twelve months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least twelve months from the balance sheet date.
- Financial liabilities which must be settled within the twelve months following the balance sheet date are classified as current, even if the original maturity exceeded twelve months and a refinancing or restructuring agreement for long-term payments exists which has been finalised subsequent to the close and before the consolidated annual accounts have been prepared.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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4.19 Environment

The Group takes measures to prevent, reduce or repair any damage caused to the environment by its activities.

Costs incurred from these activities are recognised under other expenses in the year in which they are incurred. Nevertheless, the Group recognises environmental provisions and, where applicable, reimbursement rights by applying the general criteria described in note 4.13.

Assets acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet in line with the recognition, measurement and disclosure criteria detailed in note 4.3.

5. Property, plant and equipment

Details of and movement in property, plant and equipment in 2009 and 2008 are as follows:

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

	Thousands of Euros										
	31.12.07	Additions	Disposals	Transfers	Exchange gains/(losses)	31.12.08	Additions	Disposals	Transfers	Exchange gains/(losses)	31.12.09
Cost											
Land	17,114	640	(24)	92	8	17,830	80	-	1,921	(9)	19,822
Buildings	68,137	4,127	(1,195)	229	138	71,436	358	(3)	-	(85)	71,706
Plant and machinery	298,495	18,218	(10,778)	3,375	665	309,975	12,256	(190)	2,000	(424)	323,617
Other installations, equipment and furniture	21,133	4,932	(3,138)	(341)	-	22,586	5,167	(2,287)	44	(12)	25,498
Advances and work in progress	9,981	23,555	(32)	(3,355)	45	30,194	21,009	(6)	(3,965)	(6)	47,226
	<u>414,860</u>	<u>51,472</u>	<u>(15,167)</u>	<u>-</u>	<u>856</u>	<u>452,021</u>	<u>38,870</u>	<u>(2,486)</u>	<u>-</u>	<u>(536)</u>	<u>487,869</u>
Accumulated depreciation											
Buildings	(52,754)	(1,884)	378	-	(65)	(54,325)	(2,020)	-	-	54	(56,291)
Plant and machinery	(236,915)	(12,218)	568	114	(287)	(248,738)	(12,496)	118	-	208	(260,908)
Other installations, equipment and furniture	(15,899)	(2,091)	2,276	(114)	(41)	(15,869)	(2,204)	1,243	-	31	(16,799)
	<u>(305,568)</u>	<u>(16,193)</u>	<u>3,222</u>	<u>-</u>	<u>(393)</u>	<u>(318,932)</u>	<u>(16,720)</u>	<u>1,361</u>	<u>-</u>	<u>293</u>	<u>(333,998)</u>
Accumulated impairment losses	<u>(9,413)</u>	<u>-</u>	<u>9,473</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net balance	<u>99,879</u>	<u>35,279</u>	<u>(2,472)</u>	<u>-</u>	<u>403</u>	<u>133,089</u>	<u>22,150</u>	<u>(1,125)</u>	<u>-</u>	<u>(243)</u>	<u>153,871</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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5.1 Insurance

The Group has taken out various insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

5.2 Commitments

Commitments for the acquisition of property, plant and equipment amount to Euros 12,412 thousand at 31 December 2009 (Euros 28,246 thousand at 31 December 2008).

5.3 Impairment

As a result of the decision taken at the end of 2002 to discontinue the industrial activity of the subsidiary Altx, Inc., a provision of Euros 14,000 thousand was made, with a charge to consolidated profit, in order to record the fixed assets of this company at their recoverable amount, as determined by an independent expert. At 31 December 2007 provisions for property, plant and equipment amounted to Euros 9,413 thousand. These assets were sold in 2008 at a net profit of Euros 40 thousand.

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Notes to the Consolidated Annual Accounts

6. Intangible Assets

Details of and movement in intangible assets in 2009 and 2008 are as follows:

	Thousands of Euros				
	Works of art	Other intangible assets	Goodwill	Greenhouse gas emission rights	Total
At 31 December 2007	3,744	776	18,375	-	22,895
Exchange losses	-	(8)	-	-	(8)
Additions	-	3,142	-	806	3,948
Disposals	-	(8)	-	-	(8)
Amortisation charge	-	(475)	-	-	(475)
	<u>3,744</u>	<u>3,427</u>	<u>18,375</u>	<u>806</u>	<u>26,352</u>
Cost	5,784	14,316	18,375	806	39,281
Accumulated amortisation and impairment losses	<u>(2,040)</u>	<u>(10,889)</u>	<u>-</u>	<u>-</u>	<u>(12,929)</u>
At 31 December 2008	<u>3,744</u>	<u>3,427</u>	<u>18,375</u>	<u>806</u>	<u>26,352</u>
Exchange gains	-	2	-	-	2
Additions	-	4,461	-	590	5,051
Disposals	-	-	-	(666)	(666)
Amortisation charge	-	(311)	-	-	(311)
Impairment reversal	<u>1,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,303</u>
	<u>5,047</u>	<u>7,579</u>	<u>18,375</u>	<u>730</u>	<u>31,731</u>
Cost	5,784	18,665	18,375	730	43,554
Accumulated amortisation and impairment losses	<u>(737)</u>	<u>(11,086)</u>	<u>-</u>	<u>-</u>	<u>(11,823)</u>
At 31 December 2009	<u>5,047</u>	<u>7,579</u>	<u>18,375</u>	<u>730</u>	<u>31,731</u>

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a) Goodwill

Goodwill is mainly attributable to the acquisition of SBER and SBER Immobilien, and has been allocated to the Group's cash generating units in accordance with the country of operation and the business segment. Goodwill generated on the acquisition of these companies amounts to Euros 17,281 thousand in 2008 and 2009.

Additionally, goodwill generated on the acquisition of Schoeller-Bleckmann Technisches Service GmbH amounts to Euros 644 thousand.

The recoverable amount of a CGU is calculated from its value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Management determined projected gross margins based on past performance and forecast market development. Average weighted growth rates are consistent with the forecasts included in industry reports. Cash flows subsequent to this five-year period are extrapolated using an estimated perpetual growth rate of 1.5% (2.8% in 2008). The discount rate before tax applied to cash flow projections was 7.93% (7.55% in 2008) and reflects the specific risks related to the CGU.

During 2009, goodwill of Euros 350 thousand arose on the purchase of the French company Métaux Inox Services, S.A.S., which in turn contributed further goodwill existing since 2002 of Euros 100 thousand.

According to the estimates and projections available to the Group's directors, the forecast net cash flows attributable to these CGUs support the value of the goodwill recognised. An increase of 10% in the discount rate before tax and a 10% decrease in the perpetual growth rate would not affect the value of goodwill.

b) Emission rights

Details of the fair value and initial value of non-monetary emission rights grants received by group companies in 2009 and 2008 are as follows:

Thousands of Euros			
2009		2008	
Fair value	Initial value	Fair value	Initial value
<u>494</u>	<u>590</u>	<u>517</u>	<u>806</u>

Emission rights at 31 December 2009 amount to Euros 730 thousand (Euros 806 thousand at 31 December 2008) and form part of the group of installations dedicated to melting activity carried out by the subsidiary Acería de Alava, S.A.

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Notes to the Consolidated Annual Accounts

Movement in the number of rights during 2009 and 2008 is as follows:

	<u>Free</u>	<u>Paid</u>	<u>Total</u>
Balances at 31 December 2007	22,455	4,545	27,000
Additions	35,019	-	35,019
Disposals	<u>(22,455)</u>	<u>(4,545)</u>	<u>(27,000)</u>
Balances at 31 December 2008	35,019	-	35,019
Additions	40,260	-	40,260
Disposals	<u>(28,953)</u>	<u>-</u>	<u>(28,953)</u>
Balances at 31 December 2009	<u>46,326</u>	<u>-</u>	<u>46,326</u>

(c) Works of art

Works of art comprise those belonging to the parent company. In 2009 the Company commissioned an independent expert appraisal of these works of art, resulting in the reversal of part of the provision created to reflect these assets at their market value.

7. Financial Assets

Details of this caption of the consolidated balance sheet at 31 December are as follows:

	<u>Thousands of Euros</u>	
	<u>2009</u>	<u>2008</u>
Non-current		
Available-for-sale financial assets	675	704
Loans	308	499
Other financial assets	<u>281</u>	<u>266</u>
	<u>1,264</u>	<u>1,469</u>
Current		
Available-for-sale financial assets	6,368	7,693
Other financial assets	<u>10,209</u>	<u>4</u>
	<u>16,577</u>	<u>7,697</u>

Financial assets classified as non-current available-for-sale investments correspond to medium and long-term fixed-income investment funds.

The fair value of these investment funds is Euros 676 thousand (Euros 751 thousand in 2008), based on the market value at 31 December 2009 and 2008.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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Financial assets included under current available-for-sale investments comprise financial investments in investment property funds, the fair value of which totals Euros 6,368 thousand (Euros 7,693 thousand in 2008).

Financial assets included under other current financial assets in 2009 mainly comprise fixed-term deposits with maturity exceeding three months.

Net losses and gains by financial asset category are as follows:

	Thousands of Euros					
	2009			2008		
	Available-for-sale financial assets	Loans and receivables	Total	Available-for-sale financial assets	Loans and receivables	Total
Finance income at amortised cost	-	472	472	-	1,523	1,523
Change in fair value	(305)	-	(305)	(98)	-	(98)
Impairment	-	(724)	(724)	-	(183)	(183)
Net gains/(losses) in profit and loss	<u>(305)</u>	<u>(252)</u>	<u>(557)</u>	<u>(98)</u>	<u>1,340</u>	<u>1,242</u>

8. Derivative Financial Instruments

Details of derivative financial instruments at 31 December are as follows:

	Par		2009			
			Thousands of Euros			
			Assets		Liabilities	
Amount in thousands	Unit	Non-current	Current	Non-current	Current	
Derivatives held for trading						
Forward sales of USD (note 8.1)	11,435	USD	-	196	-	(74)
Forward sales of GBP (note 8.1)	4,561	GBP	-	48	-	(17)
Forward purchases of USD (note 8.1)	5,561	USD	-	132	-	-
EUA and CER swaps	79	Euros	-	-	(23)	-
			-	<u>376</u>	<u>(23)</u>	<u>(91)</u>
Hedging derivatives						
<i>Cash flow hedges</i>						
Interest rate swaps (note 8.3)	84,800	Euros	-	14	(332)	(1,133)
Forward sales of USD (note 8.1)	6,000	USD	-	2	-	-
Forward purchases of USD (note 8.1)	2,750	USD	-	38	-	(6)
Raw material price swaps (note 8.2)	420	USD	-	16	-	-
			-	<u>70</u>	<u>(332)</u>	<u>(1,139)</u>
			-	<u>446</u>	<u>(355)</u>	<u>(1,230)</u>

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	Par		2008			
			Thousands of Euros			
	Amount in thousands	Unit	Assets		Liabilities	
			Non-current	Current	Non-current	Current
Derivatives held for trading						
Interest rate swaps (note 8.3)	10,000	Euros	-	9	(163)	-
EUA and CER swaps	79	Euros	-	-	(40)	-
			-	9	(203)	-
Hedging derivatives						
<i>Cash flow hedges</i>						
Interest rate swaps (note 8.3)	66,000	Euros	-	-	(995)	(14)
Forward sales of USD (note 8.1)	93,857	USD	-	1,129	-	(2,648)
Forward sales of GBP (note 8.1)	7,767	GBP	-	1,562	-	-
Forward sales of CAD (note 8.1)	229	CAD	-	-	-	(10)
Forward purchases of USD (note 8.1)	18,568	USD	-	317	-	(490)
			-	3,008	(995)	(3,162)
			-	3,017	(1,198)	(3,162)

8.1 Forward contracts for the sale and purchase of foreign currencies

The Group hedges its exposure to exchange rate fluctuations on import and export operations through forward currency contracts.

The total par value at 31 December 2008 of forward contracts for foreign currency sales corresponding to the hedging of foreign currency balances already invoiced and estimated future collections of highly probable orders secured with clients amounted to Euros 76,554 thousand. The value of hedged currencies amounted to US Dollars 93,857 thousand, Pounds Sterling 7,767 thousand and Canadian Dollars 229 thousand.

At 31 December 2009, the total par value of forward contracts for foreign currency sales corresponding to the hedging of foreign currency balances already invoiced and estimated future collections of highly probable orders secured with clients amounts to Euros 4,169 thousand. The value of hedged currencies amounts to US Dollars 6,000 thousand.

At 31 December the Company has forward contracts for foreign currency hedges to which hedge accounting has not been applied amounting to Euros 13,178 thousand. Currencies held for trading total US Dollars 11,435 thousand and Pounds Sterling 4,561 thousand. These derivatives have been contracted as economic hedging instruments for currency sales.

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Details of the par values of forward contracts for foreign currency sales by term to maturity and type of currency at 31 December are as follows:

	Thousands of Euros					
	2009			2008		
	US Dollar	Pound Sterling	Canadian Dollar	US Dollar	Pound Sterling	Canadian Dollar
Up to one year	<u>12,170</u>	<u>5,177</u>	<u>---</u>	<u>66,727</u>	<u>9,682</u>	<u>145</u>

At 31 December 2009 forward contracts for foreign currency hedges to which hedge accounting has been applied show gains and losses of Euros 2 thousand and Euros 0 thousand, respectively. As the cash flow hedge accounting model was applied, all changes in the value of these derivatives have been recognised in equity as forecast hedged sales have not yet been recognised in the balance sheet at 31 December.

At 31 December 2009 forward currency sales contracts held for trading show gains and losses of Euros 244 thousand and Euros 91 thousand, respectively.

At 31 December 2008 cash flow hedges on forward currency sales showed gains and losses of Euros 2,691 thousand and Euros 2,658 thousand, respectively, of which Euros 2,631 thousand and Euros 1,521 thousand, respectively, were taken to profit and loss as they corresponded to balances already invoiced.

The par value of all forward contracts for foreign currency, which correspond to the hedged portion of future estimated cash outflows for the acquisition of certain raw materials in foreign currencies and payable in cash, is Euros 1,879 thousand (Euros 13,543 thousand in 2008). The hedges partially cover an amount of US Dollars 2,750 thousand (US Dollars 11,460 thousand at 31 December 2008) in estimated payments for these items to be made in the first three months of 2010.

At 31 December the Company has forward contracts for foreign currency purchases held for trading amounting to Euros 3,728 thousand. The value of currencies held for trading totals US Dollars 5,561 thousand. These derivatives have been contracted as economic hedging instruments for foreign currency purchases.

(Continued)

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Notes to the Consolidated Annual Accounts

Details of the par value of forward contracts for foreign currency purchases by term to maturity and type of currency at 31 December are as follows:

	<u>Thousands of Euros</u>	
	<u>US Dollars</u>	
	<u>2009</u>	<u>2008</u>
Up to one year	<u>5,607</u>	<u>13,543</u>

At 31 December 2009, future cash flow hedges show gains and losses of Euros 38 thousand and Euros 6 thousand, respectively. As the cash flow hedge accounting model was applied, all changes in the value of these derivatives have been recognised in equity as forecast hedged purchases have not yet been recognised in the balance sheet at 31 December.

At 31 December 2009, forward contracts for foreign currency purchases held for trading show gains of Euros 132 thousand.

At 31 December 2008 these contracts showed gains and losses of Euros 317 thousand and Euros 490 thousand, respectively, of which Euros 291 thousand were taken to profit and loss as they corresponded to balances already invoiced.

The fair values of these forward currency contracts have been estimated by discounting cash flows using forward exchange rates from publicly available sources.

8.2 Forward contracts for raw materials

In order to hedge fluctuations in the price of nickel used in the production process, the Group uses price swaps on this raw material.

At 31 December 2009 the par value of all nickel price swaps amounted to US Dollars 420 thousand. Hedges in place at that date partially cover estimated payments for nickel purchases to be made during the first three months of 2010.

The fair value of these nickel price swaps is estimated by discounting cash flows taking into account the difference between the market prices of this raw material from publicly available sources at 31 December and the fixed price guaranteed in each contract.

At 31 December 2008 the Group had no nickel price swap contracts pending maturity.

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

8.3 Interest rate swaps

The Group hedges its interest rate exposure through financial swaps, details of which at 31 December 2009 and 2008 are as follows:

31.12.09			
Par value in thousands of Euros	Inception	Maturity	Interest rate
<u>Future cash flow hedges</u>			
10,000	30/09/2008	30/09/2010	2.7800%
15,000	30/09/2008	30/12/2010	3.7440%
15,000	30/09/2008	30/12/2010	3.9550%
4,800	31/03/2009	31/12/2011	1.9900%
8,000	12/06/2009	12/12/2011	2.8900%
4,000	12/06/2009	12/12/2011	2.1200%
12,000	23/06/2009	23/12/2011	2.1200%
6,000	30/09/2009	30/12/2010	3.9700%
10,000	01/10/2009	31/01/2013	1.8100%

31.12.08			
Par value in thousands of Euros	Inception	Maturity	Interest rate
<u>Future cash flow hedges</u>			
6,000	30/09/2008	30/06/2009	3.0300%
5,000	30/09/2008	30/06/2010	2.9700%
10,000	30/09/2008	30/09/2010	2.7800%
5,000	30/09/2008	30/06/2010	2.9700%
15,000	30/09/2008	30/12/2010	3.7440%
15,000	30/09/2008	30/12/2010	3.9550%
10,000	12/06/2009	12/12/2011	2.8900%
<u>Derivatives held for trading</u>			
4,000	01/03/2005	01/03/2009	3.0300%
6,000	03/01/2008	30/09/2010	4.6000%

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

8.4 Cash flow hedges

Total cash flow hedges transferred from other comprehensive income to profit and loss and the consolidated income statement entries where they have been recognised, are as follows:

	Thousands of Euros	
	Profit/(loss)	
	2009	2008
Interest rate swaps		
- Finance income/expenses	(1,125)	-
Raw material swaps		
- Raw materials consumed	-	(2,176)
Currency risk hedge		
- Exchange gains/(losses)	(959)	203
	<u>(2,084)</u>	<u>(1,973)</u>

The total ineffective portion of cash flow hedges recognised as finance income and expenses in the consolidated income statement is as follows:

	Thousands of Euros	
	Profit/(loss)	
	2009	2008
Interest rate swaps	14	-

9. Inventories

Details of this caption of the consolidated balance sheet at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Goods for resale	23,589	33,415
Raw materials and goods for conversion	62,574	79,011
Work in progress	37,007	72,680
Finished goods	51,347	80,933
Other items	<u>254</u>	<u>5</u>
	<u>174,771</u>	<u>266,044</u>

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

Details of raw materials, other consumables and goods for resale during 2009 and 2008 are as follows:

	Thousands of Euros	
	<u>2009</u>	<u>2008</u>
Raw materials, other consumables and goods for resale consumed		
Net purchases	147,031	408,783
Net decrease (increase) in inventories	<u>26,263</u>	<u>(1,587)</u>
	<u>173,294</u>	<u>407,196</u>

Details of net write downs of the cost of inventories to net realisable value recognised during 2009 and 2008 are as follows:

	Thousands of Euros	
	<u>2009</u>	<u>2008</u>
Goods for resale, raw materials and goods for conversion	433	-
Work in progress	4,333	-
Finished goods	<u>3,569</u>	<u>9,434</u>
	<u>8,335</u>	<u>9,434</u>

The main reasons for the most significant write downs are the drop in and cancellation of orders, which have resulted in obsolescence issues.

Provisions for and reversals of obsolescence of goods for resale, raw materials and other supplies are recognised under “Raw materials, other consumables and goods for resale consumed”.

Provisions for and reversals of obsolescence of finished goods and work in progress are recognised under “Changes in inventories of finished goods and work in progress”.

Net sales made in currencies other than the Euro are as follows:

<u>Currency</u>	Thousands of Euros	
	<u>2009</u>	<u>2008</u>
US Dollar	74,530	222,461
Norwegian Krone	3	27
Canadian Dollar	9,028	6,163
Pound Sterling	2	-

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

10. Trade and Other Receivables

Details of this caption of the consolidated balance sheet at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Trade receivables	77,718	164,001
Trade receivables from equity accounted investees	1,285	885
Other	1,710	354
Public entities	<u>11,152</u>	<u>25,293</u>
	91,865	190,533
Provisions	<u>(2,102)</u>	<u>(1,378)</u>
	<u>89,763</u>	<u>189,155</u>

Accounts receivable from public entities at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Taxation authorities		
VAT	10,383	24,667
Other items	<u>769</u>	<u>626</u>
	<u>11,152</u>	<u>25,293</u>

11. Cash and Cash Equivalents

Details of this caption of the consolidated balance sheet at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Cash in hand and at banks	15,686	22,618
Short-term deposits and other liquid investments	<u>6,121</u>	<u>5,497</u>
	<u>21,807</u>	<u>28,115</u>

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

12. Deferred Taxes

Details of deferred tax assets and liabilities at 31 December are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2009	2008	2009	2008
For provisions	4,597	4,689	-	-
For other items	718	637	1,347	1,247
Tax loss carryforwards	18,398	4,368	-	-
Deductions and credits	<u>9,217</u>	<u>7,553</u>	<u>-</u>	<u>-</u>
	32,930	17,247	1,347	1,247
Other items	<u>303</u>	<u>552</u>	<u>-</u>	<u>-</u>
	<u>33,233</u>	<u>17,799</u>	<u>1,347</u>	<u>1,247</u>

The Group recognises deferred tax assets taking into account future taxable income projections in order to support recovery of these assets. The directors consider this criteria to be appropriate.

Details of movement in deferred tax assets and liabilities which has been recognised as deferred tax income/(expense) in the consolidated income statement are as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2009	2008	2009	2008
For provisions	(92)	2,905	-	-
For other items	81	(539)	(100)	210
Tax loss carryforwards	14,030	3,177	-	-
Deductions and credits	<u>1,664</u>	<u>441</u>	<u>-</u>	<u>-</u>
Total	<u>15,683</u>	<u>5,984</u>	<u>(100)</u>	<u>210</u>

Deferred tax assets, of which the Company is aware but which have not been recognised in the 2009 consolidated annual accounts, amount to Euros 1,598 thousand and correspond to tax loss carryforwards (Euros 1,303 thousand at 31 December 2008).

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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Details of deferred tax assets and liabilities whose realisation or reversal period exceeds twelve months are as follows:

	Thousands of Euros	
	2009	2008
Deferred tax assets	4,579	4,694
Tax loss carryforwards	18,398	4,368
Deductions and credits	<u>9,217</u>	<u>7,553</u>
Total assets	32,194	16,615
Deferred tax liabilities	<u>(1,288)</u>	<u>(880)</u>
Net amount	<u>30,906</u>	<u>15,735</u>

Total current and deferred tax relative to entries debited or credited directly to other comprehensive income in 2009 and 2008, is as follows:

	Note	Thousands of Euros	
		2009	2008
Cash flow hedges	13	<u>303</u>	<u>552</u>

13. Equity**13.1 Share capital**

At 31 December 2009 and 2008 share capital is represented by 132,978,782 shares of Euros 0.45 par value each, fully subscribed and paid. All shares have equal voting and profit-sharing rights, except for treasury shares, the voting rights of which have been suspended and the profit-sharing rights of which are attributed pro-rata to the remaining shares. The Company's entire share capital is listed on the Spanish organised stock market.

These shares are freely transferable.

At 31 December 2009, Begoeta, S.L. directly or indirectly holds 18.088% of the share capital of Tubacex, S.A. (18.088% in 2008).

Pursuant to the Spanish Companies Act, the shareholders at their annual general meeting held on 24 May 2006 agreed to amend various articles of the Company's by-laws, inter alia, article 13, which prohibited any shareholder from casting more than 5% of the total number of votes. As a result of this agreement, this article establishes that each share will constitute one vote, agreements will be adopted on a majority basis and the chairman's casting vote will not be admitted.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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13.2 Share premium

This reserve is freely distributable.

13.3 Other reserves

Details of other reserves at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Legal reserve	11,968	11,968
Voluntary reserves		
Other parent company reserves	<u>55,884</u>	<u>50,950</u>
	<u>67,852</u>	<u>62,918</u>

Legal reserve

The legal reserve has been appropriated in compliance with article 214 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

Other parent company reserves

This corresponds to voluntary reserves, which are freely distributable.

13.4 Treasury shares

At 31 December 2009 and 2008 the Group holds 3,142,975 treasury shares, with a par value of Euros 0.45 per share and acquired at an average price of Euros 2.498 per share.

13.5 Translation reserves

As permitted by IFRS 1 First-time Adoption of IFRS, the Group has opted to apply the exemption concerning translation differences. As a result, translation differences included under equity refer to those generated after 1 January 2004.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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13.6 Dividends and restrictions on dividend distribution

Dividends on 2008 profit distributed by Tubacex, S.A. in 2009 amounted to Euros 13,154 thousand (Euros 19,831 thousand in 2008), which is equivalent to Euros 0.10 per share (Euros 0.15 per share in 2008).

13.7 Capital management policies

The objectives of the Group in managing shareholders' equity are to safeguard its ability to operate as a going concern in such a way that it continues to generate profits for shareholders, benefits other interested parties and maintains an optimal capital structure in order to reduce the cost of capital.

With a view to maintaining and adjusting its capital structure, the Group may adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or sell assets in order to reduce debt.

Like other groups in the sector, Tubacex controls its capital structure through the leverage ratio, which is calculated as net financial debt over equity. Net debt is determined as the sum of current and non-current interest-bearing loans and borrowings and other non-current liabilities, less cash and cash equivalents.

The ratios for 2009 and 2008 have been determined as follows:

	Thousands of Euros	
	2009	2008
Total financial debt	196,138	254,137
Less: cash and cash equivalents and current financial assets	<u>(38,384)</u>	<u>(35,812)</u>
Net debt	<u>157,754</u>	<u>218,325</u>
Equity	<u>241,147</u>	<u>279,964</u>
Debt ratio	<u>65.42%</u>	<u>77.98%</u>

(Continued)

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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14. Earnings/(loss) per share

a) Basic

Basic earnings per share are calculated by dividing the profit/(loss) for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

	Thousands of Euros	
	2009	2008
Profit/(loss) attributable to ordinary shareholders	(25,777)	37,583
Weighted average number of ordinary shares outstanding	129,835,807	129,835,807
Basic earnings/(loss) per share (Euros)	(0.198)	0.289

The weighted average number of ordinary shares outstanding is determined as follows:

	2009	2008
Ordinary shares outstanding at 1 January	132,978,782	132,978,782
Effect of treasury shares	<u>(3,142,975)</u>	<u>(3,142,975)</u>
Weighted average number of ordinary shares outstanding at 31 December	<u>129,835,807</u>	<u>129,835,807</u>

b) Diluted

Diluted earnings per share are calculated by adding the weighted average number of ordinary shares outstanding to reflect the conversion of all potentially diluted ordinary shares. The Company has no potentially diluted ordinary shares.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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15. Interest-bearing Loans and Borrowings

Details of this caption of the consolidated balance sheet at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Non-current		
Bank loans	<u>39,739</u>	<u>41,121</u>
Current		
Credit facilities	79,586	133,756
Short-term loans	38,832	42,801
Current portion of long-term debt	25,099	10,283
Discounted notes	3,660	5,979
Import credit facilities	4,362	15,458
Bank overdrafts	585	843
Interest	168	867
Current portion of finance lease payables	<u>-</u>	<u>24</u>
	<u>152,292</u>	<u>210,011</u>

Interest-bearing loans and borrowings are recorded at approximately fair value.

The weighted average effective interest rate of bank loans during 2009 was approximately Euribor + 1.36% (Euribor + 1.16% in 2008).

Long-term maturities of bank loans at 31 December 2009 and 2008 are as follows:

<u>Maturity</u>	Thousands of Euros	
	2009	2008
Two years	25,771	19,460
Three years	7,633	18,899
Four years	2,129	525
Five years	1,525	503
Remainder	<u>2,681</u>	<u>1,734</u>
	<u>39,739</u>	<u>41,121</u>

A group company has mortgaged part of its property, plant and equipment to secure repayment of a portion of bank loans, amounting to Euros 4,703 thousand (Euros 5,116 thousand in 2008).

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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The weighted average effective interest rate of credit facilities during 2009 was approximately Euribor + 1.32% (Euribor + 0.50% in 2008). The combined limit of these credit facilities at 31 December 2009 amounts to approximately Euros 135,450 thousand (Euros 182,400 thousand in 2008).

Short-term loans correspond to bank loans extended to the SBER consolidated subgroup for financing its working capital requirements. The effective interest rates fluctuated between 1.18% and 2.94% (between 2.95% and 3.2% in 2008).

The Group has contracted interest rate swaps on certain credit facilities which convert variable interest to a fixed rate (see note 8).

Net losses and gains by financial liability category are as follows:

	Thousands of Euros			
	2009			
	Held for trading	Hedging derivatives	Debts and payables	Total
Finance expenses	-	-	(6,634)	(6,634)
Change in fair value				
Exchange gains	<u>286</u>	-	-	<u>286</u>
Net gains in profit and loss	<u>286</u>	-	(6,634)	<u>(6,348)</u>
Change in fair value	-	(1,205)	-	(1,205)
Reclassification of equity to profit or loss due to hedging	-	<u>2,084</u>	-	<u>2,084</u>
Net gains/(losses) in equity	-	<u>879</u>	-	<u>879</u>
Total	<u>286</u>	<u>879</u>	<u>(6,634)</u>	<u>(5,469)</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

	Thousands of Euros			
	2008			
	Held for trading	Hedging derivatives	Debts and payables	Total
Finance expenses	-	-	(12,134)	(12,134)
Change in fair value	-	-	-	-
Finance expenses	(1,459)	-	-	(1,459)
Net gains in profit and loss	(1,459)	-	(12,134)	(13,593)
Change in fair value	-	(1,962)	-	-
Reclassification of equity to profit or loss due to hedging	-	1,973	-	-
Net gains/(losses) in equity	-	11	-	11
Total	(1,459)	11	(12,134)	(13,582)

16. Other Non-current Financial Liabilities

Details of other non-current financial liabilities at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Non-current		
Repayable loans	1,817	1,296
Taxation authorities	2,191	1,660
Other	99	49
	<u>4,107</u>	<u>3,005</u>

The deferment of debt payable to public entities extended to a group company and payable upon maturity in two years accrues interest at 0.5%.

Repayable loans correspond to interest-free loans with a grace period of between two and four years on the principal extended by the Ministry of Science and Technology to two group companies for financing certain research and development projects. These loans are interest free.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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Long-term maturities of these loans and balances with the taxation authorities at 31 December 2009 and 2008 are as follows:

Maturity	Thousands of Euros	
	2009	2008
Two years	2,473	288
Three years	386	1,889
Four years	365	259
Five years	385	215
Remainder	<u>399</u>	<u>305</u>
	<u>4,008</u>	<u>2,956</u>

17. Trade and Other Payables

Details at 31 December of trade and other payables are as follows:

	Thousands of Euros	
	2009	2008
Trade payables		
Third parties	37,293	72,043
Associated companies	<u>896</u>	<u>112</u>
	<u>38,189</u>	<u>72,155</u>
Other payables		
Salaries payable	4,435	11,505
Social security	1,443	1,985
Public entities	3,109	6,610
Current portion of temporary receivership creditors	1,000	958
Current portion of repayable loans	374	370
Other debts	<u>81</u>	<u>178</u>
	<u>10,442</u>	<u>21,606</u>
	<u>48,631</u>	<u>93,761</u>

In prior years the creditors settlements of Tubacex, S.A. and Acería de Alava, S.A., were approved by judicial decrees issued by the Court of First Instance of Amurrio (Alava), on 15 October and 6 November 1993, respectively, which affected all loans payable by these two group companies. The settlement established, inter alia, the interest-free payment of between 50% and 100% of the loans over different periods.

The debts arising from the temporary receivership creditors' settlement are interest-free.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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The current portion of these debts has been recorded under trade and other payables and details are as follows:

	Thousands of Euros	
	2009	2008
Current		
Current portion of repayable loans	374	370
Current portion of temporary receivership creditors	<u>1,000</u>	<u>958</u>
	<u>1,374</u>	<u>1,328</u>

18. Employee Benefits

Movement in the provision for employee benefits during 2009 and 2008 is as follows:

	Thousands of Euros		
	Relief contracts	Other commitments with personnel	Total
Balances at 31 December 2007	5,547	6,812	12,359
Reclassifications (note 19)	-	(187)	(187)
Reversals	(94)	(60)	(154)
Expense for the year	10,473	958	11,431
Benefits paid	<u>(1,680)</u>	<u>(674)</u>	<u>(2,354)</u>
Balances at 31 December 2008	<u>14,246</u>	<u>6,849</u>	<u>21,095</u>

	Thousands of Euros		
	Relief contracts	Other commitments with personnel	Total
Balances at 31 December 2008	14,246	6,849	21,095
Reclassifications	(302)	302	-
Reversals	(728)	(117)	(845)
Expense for the year	370	246	616
Benefits paid	<u>(1,369)</u>	<u>(1,230)</u>	<u>(2,599)</u>
Balances at 31 December 2009	<u>12,217</u>	<u>6,050</u>	<u>18,267</u>

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Movement in the present value of defined benefit obligations at 31 December 2009 is as follows:

	Thousands of Euros
At 1 January	21,095
Cost of services for the year	239
Interest cost	734
Actuarial gains and losses	(1,202)
Benefits paid	<u>(2,599)</u>
At 31 December	<u>18,267</u>

The effects attributable to interest cost and actuarial gains and losses in the reconciliation between the 2008 opening and closing balances of the present value of the obligation and the expense recognised for interest cost actuarial gains and losses and the cost of services for the year and prior years amounted to Euros 277 thousand, which was recognised under personnel expenses.

The present values of defined benefit obligations for the current year and the past four years are as follows:

	Thousands of Euros				
	2009	2008	2007	2006	2005
Relief contracts					
(Spanish companies)	12,217	13,941	4,953	7,419	8,449
Other	<u>-</u>	<u>305</u>	<u>594</u>	<u>-</u>	<u>-</u>
Subtotal	12,217	14,246	5,547	7,419	8,449
Other benefits	<u>6,050</u>	<u>6,849</u>	<u>6,812</u>	<u>5,841</u>	<u>5,418</u>
	<u>18,267</u>	<u>21,095</u>	<u>12,359</u>	<u>13,260</u>	<u>13,867</u>

The estimated amount of contributions payable by the Group to defined benefit plans of Spanish companies during 2010 amounts to Euros 1,973 thousand.

On 29 October 2002 the management of Tubacex, S.A. and the subsidiary companies Acería de Alava, S.A. and Tubacex Tubos Inoxidables, S.A. and their respective workforces signed a relief contract agreement whereby the aforementioned companies undertook to offer all workers covered by the collective labour agreement who reach the age of 60 between January 2003 and 31 December 2005, inclusive, the possibility of taking voluntary partial retirement until the age of 65, upon which they would be removed from the company payroll.

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On 14 April 2005 a new relief contract agreement was signed whereby between 1 January 2006 and 31 December 2008 the aforementioned companies undertook to offer workers covered by the collective labour agreement partial retirement under the same conditions as the prior agreement.

In 2009 a new relief contract agreement was signed whereby between 1 January 2009 and 31 December 2013 certain group companies undertake to offer workers covered by the collective labour agreement partial retirement under the same conditions as the prior agreement.

The total obligation accrued under these three defined benefit plans has been calculated using accepted actuarial methods and considering mortality assumptions based on the latest tables available in Spain at 31 December 2009. The discount rate applied is 3% (4% in 2008) and the salary growth assumption is based on the Group's best estimates for each company.

The PERM 2000 and PERF 2000 mortality tables for men and women, respectively, were used for companies registered in Spain. These tables were updated at the valuation date and are legally recommended for these types of commitments.

In certain circumstances, labour legislation in Austria allows employees who have complied with a series of conditions to opt for partial retirement. Under this programme, employees work 50% of their working day until retirement and receive 75% of their full working salary day, with the remaining 25% paid by the Austrian Social Security.

At 31 December 2009 and 2008 the Group has made the necessary provisions to cover the liabilities estimated to accrue over the terms of the contracts mentioned above, amounting to Euros 12,542 thousand and Euros 14,256 thousand, respectively.

Other commitments with personnel mainly include certain legal obligations with SBER subgroup employees who joined the company prior to 1 January 2003, and which become due when they retire or leave the Company, in accordance with prevailing legislation in Austria. The total accrued obligation of this defined contribution plan has been calculated using accepted actuarial methods and assumptions based on the latest mortality tables available for this country, and amounts to Euros 4,821 thousand at 31 December 2009 (Euros 5,687 at 31 December 2008). The discount rate applied is 5.5% (6.00% in 2008) and the salary growth assumption is 3% (3.5% in 2008).

Other commitments with personnel also include the estimated amounts accrued and payable in the future of retirement bonuses for employees of the SBER subgroup who have completed 25, 35 and 40 years' service. These bonuses are paid in one, two or three monthly instalments, respectively. At 31 December 2009 the accrued commitment amounts to Euros 990 thousand (Euros 1,044 thousand at 31 December 2008).

Actuarial gains and losses deriving from defined benefit plans or payments to employees under relief contracts are recognised under personnel expenses in the income statement.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

19. Other provisions

Details of other provisions at 31 December are as follows:

	Thousands of Euros	
	2009	2008
Non-current		
Other	<u>4,663</u>	<u>6,744</u>
Current		
Employee benefits	1,231	2,218
Other	9,854	4,328
Emission rights	<u>402</u>	<u>124</u>
	<u>11,487</u>	<u>6,670</u>

The movement in provisions during 2009 and 2008 is as follows:

	Thousands of Euros			
	Other employee benefits	Emission rights	Other	Total
At 31 December 2007	<u>1,100</u>	<u>-</u>	<u>9,959</u>	<u>11,059</u>
Reclassifications (note 18)	1,239	-	187	1,426
Charges	1,158	124	4,061	5,343
Applications	(1,279)	-	(1,537)	(2,816)
Reversals	<u>-</u>	<u>-</u>	<u>(1,598)</u>	<u>(1,598)</u>
At 31 December 2008	<u>2,218</u>	<u>124</u>	<u>11,072</u>	<u>13,414</u>
Non-current	-	-	6,744	6,744
Current	<u>2,218</u>	<u>124</u>	<u>4,328</u>	<u>6,670</u>
At 31 December 2008	<u>2,218</u>	<u>124</u>	<u>11,072</u>	<u>13,414</u>
Reclassifications	-	557	-	557
Charges	712	402	6,797	7,911
Applications	(1,239)	(681)	(3,122)	(5,042)
Reversals	<u>(460)</u>	<u>-</u>	<u>(230)</u>	<u>(690)</u>
At 31 December 2009	<u>1,231</u>	<u>402</u>	<u>14,517</u>	<u>16,150</u>
Non-current	-	-	4,663	4,663
Current	<u>1,231</u>	<u>402</u>	<u>9,854</u>	<u>11,487</u>
At 31 December 2009	<u>1,231</u>	<u>402</u>	<u>14,517</u>	<u>16,150</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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The Group has provided for the estimated amount of tax debts and probable or certain liabilities arising from litigation underway and for outstanding indemnities or obligations of an undetermined amount, guarantees or similar forms of security, payment of which is undetermined as regards their exact amount or when they will arise, as this depends on the fulfilment of certain conditions.

The "Other" caption includes provisions for potential trade relations-derived contingencies amounting to Euros 4,965 thousand and Euros 1,704 thousand at 31 December 2009 and 2008, respectively.

During 2008 the Group reversed provisions for onerous contracts made in 2007 amounting to Euros 1,410 thousand. During 2009, the Company has made provision of Euros 645 thousand for onerous contracts.

The Group has no contingent liabilities in respect of guarantees. However, it has extended bank guarantees to third parties to secure certain operations in the ordinary course of business for a total amount of Euros 6,370 thousand (Euros 3,491 thousand in 2008). The directors of the Group do not expect significant liabilities to arise on account of these guarantees.

20. Other Income and Other Operating Expenses

Details of other operating income for 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Operating leases	97	24
Operating subsidies	759	680
Grants taken to income	970	681
Profit on sale of investment property	-	64
Provision surpluses (notes 6, 18 and 19)	2,838	1,752
Other income	<u>1,075</u>	<u>1,223</u>
	<u>5,739</u>	<u>4,424</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

Details of other expenses are as follows:

	Thousands of Euros	
	2009	2008
Expenses for operating leases	192	265
Repairs and maintenance	17,146	16,366
Independent professional services	9,423	7,758
Transportation	10,009	12,504
Insurance premiums	1,705	1,479
Utilities	23,606	20,913
Local taxes	514	559
Other expenses	<u>12,385</u>	<u>36,093</u>
	<u>74,980</u>	<u>95,937</u>

21. Personnel Expenses

Details for 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Wages and salaries	57,702	73,457
Pension plan contributions	1,809	1,843
Social Security	17,283	20,444
Other welfare benefits	4,016	5,977
Charge to provision for employee benefits	<u>1,328</u>	<u>12,589</u>
	<u>82,138</u>	<u>114,310</u>

The average headcount of the Group, distributed by professional category, is as follows:

	Average headcount	
	2009	2008
Directors, engineers and university graduates	106	126
Technical engineers, experts and qualified assistants	66	72
Middle management	91	83
Assistants	56	70
Senior clerks	196	181
Porters	2	4
Production staff	<u>1,280</u>	<u>1,434</u>
	<u>1,797</u>	<u>1,970</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

22. Income Tax

Details of income tax for 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Current tax	(374)	9,342
Deferred tax (note 12)		
Origin and reversal of temporary differences	<u>(15,583)</u>	<u>(6,194)</u>
	<u>(15,957)</u>	<u>3,148</u>

A reconciliation of the tax expense/(recoverable) with accounting profit/(loss) is as follows:

	Thousands of Euros	
	2009	2008
Profit/(loss) before income tax	<u>(42,025)</u>	<u>40,731</u>
Expected tax expense (recoverable) at parent company tax rate (28%)	(11,768)	11,405
Permanent differences	(2,304)	(5,859)
Deductions recognised during the year and not applied	(983)	(120)
Difference in subsidiary tax rates	126	(88)
Previously unrecognised tax credits for loss carryforwards applied	(28)	(37)
Previously unrecognised tax deductions applied	-	(2,180)
Prior years' adjustments	(857)	27
Previously unrecognised tax credits	(655)	-
Expense for reduction in deferred tax assets	<u>512</u>	<u>-</u>
Accounting tax expense (recoverable) for the year	<u>(15,957)</u>	<u>3,148</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

The nature of permanent differences is as follows:

	Thousands of Euros	
	2009	2008
Provisions	(491)	(5,795)
Reversal of provision for other intangible assets	(365)	-
Other	(1,448)	(64)
	<u>(2,304)</u>	<u>(5,859)</u>

Provisions at 31 December 2008 included Euros 5,288 for the reversal of the provision for the investment in Altx. Inc. (see note 5.2).

The nature of tax deductions recognised during the year is as follows:

	Thousands of Euros	
	2009	2008
Investment in new fixed assets	609	1,069
Double taxation on dividends	186	617
Contributions to supplementary pension schemes	108	80
Personnel training	9	56
Other	<u>71</u>	<u>478</u>
	<u>983</u>	<u>2,300</u>

A reconciliation of the current tax expense/(recoverable) with current net tax assets and liabilities is as follows:

	Thousands of Euros	
	2009	2008
Current tax expense/(recoverable)	(374)	9,342
Prior years' adjustments	929	-
Uncollected prior years' current tax	(269)	-
Unpaid prior years' current tax liabilities	1,570	-
Withholdings and payments on account	<u>(707)</u>	<u>(2,923)</u>
	<u>1,149</u>	<u>6,419</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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In 2007 the parent company applied the exemption provided for in article 22 of Local Income Tax Law 24/1966, omitting the gain obtained on the reinvestment of extraordinary profits from taxable income.

The amount to be reinvested by the parent company is equivalent to the sale of items covered by the aforementioned exemption, which in this case amounts to Euros 4,314,078, and the reinvestment must be made between the year prior to delivery or availability of the assets and the three subsequent years.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2009 the Company has open to inspection by the taxation authorities all main applicable taxes since 31 December 2005. As a result of the treatment of certain operations, tax contingencies exist which, in the event of inspection, could result in additional tax assessments that cannot be objectively quantified at present. Nevertheless, the directors do not expect that any significant additional liabilities would arise in the event of inspection which would have a significant effect on the consolidated annual accounts taken as a whole.

In accordance with local income tax legislation, losses declared may be carried forward to be offset against profits of the fifteen subsequent accounting periods (no time limit in Alava or Vizcaya), the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

The settlement of 2009 income tax for Tubacex, S.A., Acería de Alava, S.A., Comercial de Tubos y Accesorios Especiales, S.A., Tubacex Taylor Accesorios, S.A., Tubacex Tubos Inoxidables, S.A. and Tubos Mecánicos Norte, S.A. is regulated by Local Law 24 of 5 July 1996, which remains in force even though certain appeals have been filed against this legislation.

As the directors of the Company consider that the final outcome of the appeals will not have a significant effect on the annual accounts taken as a whole, they have calculated the income tax for 2009 and for the years open to inspection in accordance with local legislation prevailing at the end of each year.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

23. Management Remuneration

Remuneration accrued by key group management personnel during the years ended 31 December is as follows:

	Thousands of Euros	
	<u>2009</u>	<u>2008</u>
Current remuneration	2,099	2,855
Retirement benefits	<u>151</u>	<u>156</u>
	<u>2,250</u>	<u>3,011</u>

At 31 December 2009 senior management holds no balances with the Company in respect of advances or loans. Retirement benefits basically comprise contributions to a defined contribution plan with a voluntary social welfare entity.

24. Information Relating to the Directors of the Parent Company**24.1 Remunerations of and balances with the directors of the parent company**

During 2009 the members of the board of directors have accrued remuneration of Euros 378 thousand (Euros 892 thousand in 2008) in respect of items specified in the Company's by-laws and allowances for attending meetings and conferences.

At 31 December 2009 the directors hold no balances with the Group in respect of advances or loans.

At 31 December 2009 the Group has no obligations with current or former directors in respect of pension plans or life insurance schemes, nor has it extended any guarantees on their behalf.

24.2 Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the parent

During 2009 the directors of the parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

24.3 Investments and management positions held by the directors in other companies

Pursuant to Law 26 of 17 July 2003, which amends Stock Market Law 24 of 28 July 1998 and the revised text of the Spanish Companies Act, approved by Royal Legislative Decree 1564 of 22 December 1989, the directors of Tubacex S.A. do not hold any investments in companies with a statutory activity which is identical, similar or complementary to that of the parent Company. However, details of management positions held or functions or activities carried out by these directors are as follows:

Director	Company	Statutory activity	Position and functions
Mr. Alvaro Videgain Muro	Acería de Alava, S.A.	Manufacture of steel	Chairman
	Comercial de Tubos y Accesorios Especiales, S.A.	Commercialisation of tubes	Chairman
	Salem Tube Inc.	Manufacture of tubes	Chairman
	Schoeller-Bleckmann Edelstahlrohr Immobilien AG	Real estate	Chairman
	Schoeller-Bleckmann Edelstahlrohr GmbH (SBER)	Manufacture and commercialisation of tubes	Chairman
	Tubacex Taylor Accesorios, S.A.	Manufacture of accessories	Chairman
	Tubacex Tubos Inoxidables, S.A.	Manufacture of tubes	Chairman
	Tubos Mecánicos, S.A.	Commercialisation of tubes	Chairman
	Tubos Mecánicos Norte, S.A.	Commercialisation of tubes	Chairman
	Altx Inc. Métaux Inox Services, S.A.S.	Manufacture of tubes Commercialisation of tubes	Chairman Chairman
Mr. Juan Garteizgogearcoa Iguain	Tubacex Tubos Inoxidables, S.A.	Manufacture of tubes	Board member
Mr. Luis María Uribarren Axpe	Tubos Reunidos, S.A.	Manufacture of tubes	Board member
Mr. Juan José Iribecampos Zubia	Tubos Reunidos, S.A.	Manufacture of tubes	Board member

25. Environmental Information

Group operations are subject to legislation regarding the protection of the environment (environmental laws) and workers' safety and health (labour safety laws). The Group considers that it substantially complies with these laws and that it has procedures in place designed to encourage and ensure compliance therewith.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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During the year ended 31 December 2009 the Group held environment-related investments of approximately Euros 2,891 thousand (Euros 4,025 thousand in 2008) and incurred environmental expenses of Euros 1,887 thousand (Euros 2,985 thousand in 2008), mainly relating to acid disposal, repairs and maintenance, and consultancy and independent professional audit services.

The Group has not received any environment-related grants or income during the year.

With the exception of a provision totalling Euros 249 thousand (Euros 412 thousand in 2008) recorded by a subsidiary located in the United States to cover a water pollution risk, the quantity of which has been assessed by an independent expert, the Group has not recorded any other provision during the year ended 31 December 2009 for possible environment-related risks, as the directors consider that no significant contingencies exist concerning possible litigation, indemnities or other items.

26. Audit Fees

The firm auditing the consolidated annual accounts of the Group, and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, have invoiced fees and expenses for professional services during the years ended 31 December 2009 and 2008 as follows:

	Thousands of Euros	
	2009	2008
Audit services	193	229
Other services	—	3
	<u>193</u>	<u>232</u>

These amounts include all fees for audit services rendered during 2009 and 2008, irrespective of the date of invoice.

Other entities affiliated with KPMG International have invoiced the Group fees and expenses totalling Euros 57 thousand during 2009. Other auditors have accrued Euros 84 thousand for the audit of the 2009 annual accounts of companies which form part of the consolidated group (Euros 168 thousand in 2008) and Euros 77 thousand for other services (Euros 133 thousand in 2008).

27. Segment Reporting

As described below, the Group is organised internally by operating segments, which are the strategic business units. The strategic business units have different products and services and are managed separately as they require different technologies and market strategies.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

At 31 December 2009 the Group is comprised of the following operating segments, the main products and services of which are as follows:

- Seamless stainless steel tubes
- Carbon steel tubes

Segment performance is measured based on the profit before tax of the segment. Segment profit is used to measure performance as the Group considers that this information is the most relevant when evaluating the results of certain segments in relation to other groups operating in these businesses.

Inter-segment pricing is determined on an arm's length basis.

Business segments involved in the area of seamless stainless steel tubes are managed at global level as the Group operates all over the world, with its main markets being Europe and the United States. The Group carries out its main European activities in Spain, Germany, Austria, France, Italy, Holland and the United Kingdom.

In the presentation of information by geographical segment, revenue and segment assets are based on the geographical location of the customers and assets, respectively.

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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	Thousands of Euros					
	Stainless steel tube segment		Carbon steel tube segment		Consolidated	
	2009	2008	2009	2008	2009	2008
Total external revenues	<u>347,909</u>	<u>625,767</u>	<u>23,556</u>	<u>46,037</u>	<u>371,465</u>	<u>671,804</u>
Total segment revenue	<u>347,909</u>	<u>625,767</u>	<u>23,556</u>	<u>46,037</u>	<u>371,465</u>	<u>671,804</u>
Amortisation and depreciation	<u>(16,464)</u>	<u>(15,964)</u>	<u>(567)</u>	<u>(704)</u>	<u>(17,031)</u>	<u>(16,668)</u>
Reversal of intangible asset impairment	<u>(1,303)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,303)</u>	<u>-</u>
Inventory deductions/reversals	<u>(8,485)</u>	<u>(8,634)</u>	<u>150</u>	<u>(800)</u>	<u>(8,335)</u>	<u>(9,434)</u>
Finance income	<u>472</u>	<u>1,523</u>	<u>-</u>	<u>-</u>	<u>472</u>	<u>1,523</u>
Finance expenses	<u>(7,538)</u>	<u>(12,758)</u>	<u>(221)</u>	<u>(835)</u>	<u>(7,759)</u>	<u>(13,593)</u>
Share of profit of equity accounted investees	<u>193</u>	<u>622</u>	<u>-</u>	<u>-</u>	<u>193</u>	<u>622</u>
Exchange losses	<u>483</u>	<u>(3,533)</u>	<u>-</u>	<u>-</u>	<u>483</u>	<u>(3,533)</u>
Segment profit/(loss) before tax	<u>(42,321)</u>	<u>33,421</u>	<u>296</u>	<u>7,310</u>	<u>(42,025)</u>	<u>40,731</u>
Income tax expense	<u>15,964</u>	<u>(1,537)</u>	<u>(7)</u>	<u>(1,611)</u>	<u>15,957</u>	<u>(3,148)</u>
Profit/(loss) for the year	<u>(26,357)</u>	<u>31,884</u>	<u>289</u>	<u>5,699</u>	<u>(26,068)</u>	<u>37,583</u>
Segment assets	480,465	615,613	44,063	57,438	524,528	673,051
Equity accounted investees	<u>1,496</u>	<u>1,913</u>	<u>-</u>	<u>-</u>	<u>1,496</u>	<u>1,913</u>
Total assets	<u>481,961</u>	<u>617,526</u>	<u>44,063</u>	<u>57,438</u>	<u>526,024</u>	<u>674,964</u>
Non-current investments in fixed assets	<u>42,435</u>	<u>54,186</u>	<u>1,486</u>	<u>1,234</u>	<u>43,921</u>	<u>55,420</u>
Segment liabilities	<u>270,597</u>	<u>367,153</u>	<u>14,280</u>	<u>27,847</u>	<u>284,877</u>	<u>395,000</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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	Thousands of Euros							
	Europe		United States		Other		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
External revenues	<u>220,228</u>	<u>407,587</u>	<u>66,873</u>	<u>144,714</u>	<u>84,364</u>	<u>119,503</u>	<u>371,465</u>	<u>671,804</u>
Non-current segment assets	<u>177,424</u>	<u>150,878</u>	<u>7,908</u>	<u>8,443</u>	<u>270</u>	<u>120</u>	<u>185,602</u>	<u>159,441</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Notes to the Consolidated Annual Accounts

28. Risk Policy and Management**28.1 Financial risk factors**

The Group's activities are exposed to various financial risks: market risk, including currency risk, credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management programme is based on the uncertainty of the financial markets and aims to minimise potential adverse effects on the Group's profitability. The Group uses derivatives to hedge certain risks.

Risk management is controlled by the Group's finance department in accordance with the policies approved by the board of directors. This department identifies, evaluates and hedges financial risks in close collaboration with the Group's administrative-financial departments. The board of directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments, and investments of cash surpluses.

28.1.1 Market risk

- Raw material price risk

Since March 2007 the Group has been using raw material price swaps which are due to mature when production of the corresponding order commences, in order to ensure that contractual margins are obtained.

At 31 December 2009, had the price of nickel increased or decreased by 10%, consolidated purchases would have risen or fallen by approximately Euros 4,133 thousand.

Had the prices of raw materials as a whole increased or decreased by 10%, consolidated purchases would have risen or fallen by approximately Euros 7,073 thousand.

- Currency risk

The Group operates on an international scale and is therefore exposed to currency risk on foreign currency operations, particularly in US Dollars. Currency risk is associated with future commercial transactions involving raw material purchases, the sale of products in foreign currencies, recognised assets and liabilities and net investments in foreign operations.

At 31 December 2009, had the Euro weakened by 10% against the US Dollar, with the other variables remaining constant, consolidated profit after income tax would have been Euros 4,032 thousand higher.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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In order to control currency risk associated with future commercial transactions involving raw material purchases, the sale of products in foreign currencies and recognised assets and liabilities, group companies use forward currency contracts negotiated with financial entities. Currency risk arises when future commercial transactions and recognised assets and liabilities are stated in a currency other than the Company's functional currency. The Group's finance department is responsible for managing the net position of each foreign currency by entering into external forward currency contracts. Details of currency purchase and sale contracts at 31 December 2009 are shown in note 8.

For the purposes of presenting financial information, each subsidiary designates external foreign currency forwards as currency hedges on certain assets, liabilities or future transactions.

The Group holds several investments in foreign operations, the net assets of which are exposed to currency risk, mainly US Dollars. The Group assumes the currency risk on the net assets of the Group's foreign operations in the US as they are not representative compared to total assets. At 31 December 2009, net assets in the US amounted to approximately Euros 26,665 thousand (approximately Euros 26,123 thousand in 2008).

- Available-for-sale financial assets

Market risk essentially derives from investments in investment funds classified as available for sale. The Company's investment policy is mainly aimed at maximising profits while keeping risks under control.

- Investments in works of art

The Company is also exposed to market risk from its investments in works of art, which have been recorded under intangible assets. The Company regularly commissions independent third party appraisals in order to identify potential latent declines in value.

28.1.2 Credit risk

The Group is not significantly exposed to credit risk. The Group has policies to ensure that wholesale sales are only made to customers with adequate credit records.

Derivative operations and cash transactions are only carried out with financial institutions with very high credit ratings. The Group has policies in place to limit the amount of risk with any one financial institution.

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At 31 December 2009 the exposure of the Group's assets to this risk is mainly limited to committed loans under trade receivables and other, the aggregate amount of which totals Euros 79,428 thousand (Euros 164,355 thousand in 2008). Due provision has been made to cover part of these loans, amounting to Euros 2,102 thousand (Euros 1,378 thousand in 2008), as the Group considers recovery to be doubtful.

At 31 December 2009 unimpaired committed loans which are past due amount to approximately Euros 12,536 thousand (approximately Euros 21,096 thousand in 2008). None of these loans is past due by more than two months, and the Group does not consider their recovery to be doubtful, as, on occasion, and for reasons other than the risk of default, normal business procedures result in collection delays.

28.1.3 Liquidity risk

The Group applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market. The Group's Finance Treasury Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Details of non-current financial liabilities by maturity are shown in notes 15 and 16:

- Interest-bearing loans and borrowings mainly comprise credit facilities which are renewed after three years.
- Tax liabilities will be settled approximately six months after 31 December 2009.
- The maturities of trade and other payables are as follows:

	<u>Thousands of Euros</u>	
	<u>2009</u>	<u>2008</u>
Less than 3 months	41,445	89,683
Between 3 and 12 months	<u>7,186</u>	<u>4,078</u>
	<u>48,631</u>	<u>93,761</u>

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TUBACEX, S.A. AND SUBSIDIARY COMPANIES

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28.1.4 Cash flow and fair value interest rate risk

As the Group does not have a considerable amount of remunerated assets, income and cash flows from operating activities are not significantly affected by fluctuations in market interest rates.

The Group's interest rate risk arises from current and non-current liabilities. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed-interest loans expose the Group to interest rate risks to fair value.

Non-current financial borrowings are not significant compared to total borrowings, and their contribution to interest rate risk is therefore low.

Current financial borrowings are however significant compared to total borrowings. Current interest-bearing loans and borrowings at 31 December 2009 amount to Euros 152,292 thousand (Euros 210,011 thousand in 2008). During 2009 average current bank loans totalled Euros 180 million (approximately Euros 204 million in 2008). Accordingly, a rise or fall of 0.5% in market interest rates would have increased or decreased loss before income tax by Euros 900 thousand (Euros 1 million in 2008).

The fair values of the different categories in the consolidated balance sheet do not differ substantially from their carrying amount at 31 December 2009 and 2008.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Directors' Report

2009

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

FY2009 was marked by a profound economic recession without precedent in recent times which affected practically all geographical areas and sectors of activity the world over. This saw a deepening of the financial crisis triggered in mid 2008 and which has affected the global economy with virulence. According to data published by the International Monetary Fund, the global economy shrank by 0.8% in 2009, thus confirming the worldwide recession.

The US and European economies continued to be affected by the strong downturns in activity initiated in the second half of 2008 as a result of multiple factors that led to an intense weakening in consumer spending and corporate investment. These factors again included 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, in general, the global economic downturn. This situation led GDP in the USA to fall by 2.5% in 2009 compared to growth of 0.4% in 2008, although certain signs of recovery were seen in the second half of the year which led to a return to positive GDP territory in the third and fourth quarters. Europe saw its GDP fall by 3.8% in 2009 compared to growth of 0.6% in 2008. As in the United States, the trend in Europe in the third and fourth quarters of the year turned slightly positive, although there were clear differences between countries, with France and, particularly, Germany emerging as the driving forces behind this improvement.

Emerging economies again fared better than the United States and Europe, especially China and India, which showed only slight signs of slowdown in their strong growth rates. According to data published by the International Monetary Fund, China grew by 8.7% in 2009 (compared to 9.6% in 2008) and India by 5.6% (compared to 7.3% in 2008).

The global economic situation has had a highly negative influence on investments in the oil, energy and petrochemical sectors. The significant deterioration of the financial markets (with its associated impact on access to financing for oil, energy and petrochemical companies) and a fall in demand for energy as a result of the global crisis led to a significant reduction in investment in these sectors. In the last part of the year, a stabilisation in oil prices towards levels more attractive to investors (\$70-\$75 per barrel), together with a slight improvement in the global economy, led to a certain increase in activity in the sector, albeit at a very low level.

The situation in the currency markets in 2009 has been somewhat more favourable to European exporters, with the US Dollar gaining some ground compared to 2008. The average Euro/Dollar exchange rate for 2009 was \$1.40 compared to \$1.47 in 2008.

2.

With regard to raw materials, and especially those used in the Group's business (nickel, stainless steel scrap, molybdenum and chromium), the markets have recovered slightly with respect to 2008 closing prices, although average prices for these metals are still significantly lower than those of the prior year. Based on average nickel quotations on the London Metal Exchange (LME), the average price of nickel was USD 14,795 per tonne in 2009, which is 30% lower than the average price of USD 21,111 per tonne in 2008. Despite this fall in average prices, nickel prices showed an upward trend during the year, driven by high demand in emerging economies (especially China) and a variation in prices, which at the end of 2008 were too low for the reality of supply and demand. The average price of another of the main raw materials used in the Group's production process, molybdenum, fell by 61% compared to 2008, although it remained relatively stable throughout the year at between \$20,000 and \$30,000 per tonne. As with nickel, molybdenum prices varied most significantly in the second half of 2008.

Oil prices have improved considerably in comparison to 2008, when prices reached a historical high of \$145 per barrel towards the middle of the year only to close at under \$40 per barrel. The first half of 2009 saw a gradual rise in prices to \$70 per barrel which, with some slight fluctuations, remained stable in the second half of the year. These prices, together with improved access to financing, a recovery in investor confidence and an increase in the demand for energy on a worldwide scale, throw a more positive light on the current situation and pave the way for the important investments necessary throughout the chain of production and transformation of oil and its derivatives.

The worldwide recession, coupled with greatly reduced investment in key sectors, has led to a significant drop in demand in the seamless stainless steel tube sector in which the Tubacex Group operates.

1. PERFORMANCE OF THE GROUP'S BUSINESS IN 2009

In order to carry out a detailed study of the main business variables of 2009, 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

3.

1.1 Analytical review of the Group's income statement

For comparative purposes, the main captions of the consolidated income statements for 2009, 2008 and 2007 are as follows:

	<i>(in millions of Euros)</i>					
	2009		2008		2007	
	€	%	€	%	€	%
<i>Revenue</i>	371.47	100.00	671.80	100.00	696.73	100.00
<i>Other income</i>	5.82	1.57	4.48	0.67	7.70	1.10
<i>Variation in stocks</i>	-65.26	-17.57	13.54	2.02	29.09	4.17
Total operating income	312.03	84.00	689.82	102.68	733.51	105.28
<i>Purchases and materials consumed</i>	-173.29	-46.65	-407.20	-60.61	-441.80	-63.41
<i>Personnel expenses</i>	-82.14	-22.11	-114.31	-17.02	-94.68	-13.59
<i>External and operating expenses</i>	-74.98	-20.18	-95.94	-14.28	-90.87	-13.04
Gross operating profit	-18.38	-4.95	72.38	10.77	106.17	15.24
<i>Amortisation, depreciation and impairment losses</i>	-17.03	-4.58	-16.67	-2.48	-16.69	-2.40
Net operating profit	-35.41	-9.53	55.71	8.26	89.47	12.84
<i>Finance income</i>	1.15	0.31	2.15	0.32	7.82	1.12
<i>Finance expenses</i>	-7.76	-2.09	-17.13	-2.55	-19.84	-2.85
Profit on ordinary activities	-42.03	-11.31	40.73	6.06	77.46	11.12
<i>Net extraordinary income/(expense)</i>	-	-	-	-	-	-
Consolidated profit before income tax	-42.03	-11.31	40.73	6.06	77.46	11.12
<i>Income tax</i>	15.96	4.30	-3.15	-0.47	-20.80	-2.99
Net profit for the year	-25.78	-6.94	37.58	5.59	56.66	8.13
<i>Minority interests</i>	-0.29	-0.08	-	-	-	-
Profit attributable to the parent company	-26.07	-7.02	37.58	5.59	56.66	8.13

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

- Sales in 2009 fell considerably with respect to the prior year (44.7%). This is a result of the sharp downturn in the seamless stainless steel tube sector in 2009 compared to the positive period of 2008, giving rise to reduced turnover due to the lower amounts invoiced and falling average prices. Although sector prices have also been affected as a result of the drop in demand, raw material prices have had a direct effect on the lower average price – as these are considerably lower than in 2008, alloying charges billed to customers are also much lower.
- The cost of materials consumed stands at 46.7% of net sales at year end, which is 57.45% down on the prior year. A determining factor in this is again the sharp fall in demand for the main product sold by the Group, which is reflected in the lower volume of raw materials consumed, as well as the aforementioned lower price of these materials. Throughout the year this reduction in the price of raw materials has had a negative impact on the valuation of the Group's inventory and, therefore, on profitability reflected in the income statement.

4.

- Personnel expenses have fallen by 28.1%. This includes an extraordinary provision made in 2008 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. Excluding the effect of the Relief Plan, personnel expenses still fell significantly (21.1%) as a result of the reduction in production capacity the Group was forced to implement to adapt to the current reality of end demand. This reduction in personnel was mainly made through temporary workers, without affecting the Group's permanent personnel structure. Pay rises in the aforementioned subsidiaries were implemented in accordance with the collective labour agreement which will govern labour relations until 2012. The Group's average headcount has gone from 1,970 in 2008 to 1,797 in 2009, an average decrease of 173 employees.
- Other operating expenses have fallen by 21.8% in 2009. An analysis of this caption should take into account the decrease in the volume of billing and the fact that it includes energy bills (electricity and gas), which have risen considerably since mid 2008. The Tubacex Group has intensified specific projects aimed at curtailing its main expenses in this area. These have enabled the Group to reduce expenses in 2009 and will continue to bear fruit in the coming years.
- The Group's financial situation has strengthened in 2009 (see section 1.2 of this report). Despite the negative results presented in the Group's income statement, net borrowing (calculated as described in section 1.2) in 2009 fell by Euros 61.7 million. Once again, most of the financing used by the Group is to cover its working capital, which has a much lower volume in tonnes in 2009 than in 2008. This lower level of debt, coupled with considerably lower reference interest rates (Euribor) than in 2008, has led to a significant reduction in net finance expense (over Euros 8 million). The impact of exchange differences should also be taken into account, albeit to a lesser extent, 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, revenue of Euros 16 million has been generated as a result of the capitalisation of losses in practically all of the subsidiaries that comprise the Group.

1.2 Financial activity

Group equity amounted to Euros 240.9 million at the end of 2009, which represents 45.8% of total liabilities (41.4% in 2008). Net debt (current and non-current loans and interest-bearing liabilities less current financial assets and cash and cash equivalents) as a percentage of equity stood at 63.8% compared to 75.2% in 2008. The Group's financial strength has been particularly relevant throughout a year in which the deeply-rooted global economic crisis caused banks to continue to restrict corporate financing. In this regard, the solid financial position of the Group has enabled it to continue to be trustworthy in the eyes of financial institutions.

5.

As is to be expected given the production dynamic of the Group, which manufactures most of its products to order, the most significant part of its borrowing is used to finance its working capital. Working capital (non-cash) at year end amounted to Euros 203.5 million, easily covering the Group's net borrowing of Euros 153.6 million at that date. The amount of non-current debt increased slightly in 2008 as a result of the decision to finance key investments made by the Group in its main production plants, thus adapting its liability structure to the reality of financed assets. In 2009 non-current borrowing remained relatively stable.

The value of Tubacex shares on the stock exchange rose by 17% in 2009 despite the strains on demand for the Group's products. The main stock exchange references registered slightly higher recoveries than those attained by Tubacex shares. The Company's shares went from Euros 2.35 per share at the 2008 close to Euros 2.75 per share in the last quotation of 2009. The highest quotation of the year was in September, when the value of the shares peaked at Euros 3.57, while the lowest was on 31 March, when the share value dropped to Euros 1.58.

A total of 149.07 million shares were traded on the stock exchange during the year, which is 31% lower than the 215.79 million traded in 2008. This reduction is in line with the performance of the stock market in general.

This figure signifies a rotation of 112% of the total number of the Company's shares, which stands at 132.98 million. Effective trading for the year amounted to Euros 381.36 million, which is 68% lower than the prior year, when the value of shares traded reached Euros 1,193.01 million. The Company's market capitalisation at 31 December 2009 amounted to Euros 365.69 million, 17% up on the prior year-end figure of Euros 312.50 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 grew by 13.8% in 2009, slightly lower than the rise in the value of Tubacex shares.

1.3 Risk management policy

Throughout 2009 the Group worked hard to establish and follow up on the risk management policies it has in place to mitigate the Company's exposure to the principal risks associated with its activity, particularly important in a year of such severe economic recession.

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

- Raw material price 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.

6.

- Currency risk

The Company operates internationally and is therefore exposed to currency risks when operating with foreign currencies, especially with regard to the US Dollar. In order to control currency risk associated with future commercial transactions involving raw material purchases and sales made in foreign currencies, group companies employ forward currency contracts negotiated with financial institutions.

Despite the slight recovery of the Dollar against the Euro in 2009, it remains at historically low levels compared to the single European currency. As in prior years, this is an important factor and has had a negative effect on sales. 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.

- Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions.

- Interest rate risk

The Group's interest rate risk arises from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Fixed-interest loans expose the Group to interest rate risks to fair value. This risk is covered mainly through the use of IRS hedges.

1.4 Commercial activity

Consolidated group sales amounted to Euros 371.47 million in 2009, which is a 44.7% decrease with respect to the prior year. The main reasons for this fall are explained in section 1.1 above. Details of group sales by geographical market for the last three years are as follows:

(in millions of Euros)

	2009	2008	2007	2009/2008
Europe	220.23	407.59	508.67	(45.97%)
USA	66.87	144.71	103.96	(53.79%)
Other countries	84.37	119.50	84.10	(29.40%)
Total sales	371.47	671.80	696.73	(44.71%)

Of total sales made in 2009, 59% relate to the European market, 18% to the USA and 23% to other countries. In 2008 this distribution was 61%, 21% and 18%, respectively.

7.

Sales have fallen significantly in all geographical areas as a result of the crisis affecting the global economy in 2009. The European market has been affected to a slightly lesser extent than the United States, which was the first market to enter recession.

Sales in the rest of the world fell by 29% with respect to 2008. Despite this decline, this geographical area performed better than Europe and the United States. The reason for this is twofold. On the one hand, emerging economies such as China, India and Brazil have been affected to a much lesser extent by the global downturn in 2009. On the other, the Group's commercial efforts to expand its presence in new markets continues to bear fruit. Since 2005 Tubacex has opened commercial branches in Shanghai (China), Sao Paulo (Brazil), Dubai (United Arab Emirates) and Moscow (Russia).

1.5 Industrial activity

Investments in plant, machinery and equipment in 2009 amounted to approximately Euros 17.43 million compared to the Euros 23.2 million in 2008. These figures are closely linked to the implementation of the Group Strategy Plan and the Competitiveness Plan described in sections 1.6 and 1.7 of this report.

The Tubacex Group has maintained all of the strategic investments it had planned despite the strains on the demand for seamless stainless steel tubes since the end of 2008. The Group firmly believes in its current strategy and financial situation, and this has led it to maintain and even strengthen strategic investments with a view to enhancing its product portfolio as soon as possible. In this regard, in 2009 the Group completed construction of a new plant at its facilities in Ternitz (Austria) which will be used to manufacture umbilical pipe, 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 laminator used to produce pipes designed to extract oil under extreme conditions, coupled with further investments to enhance the Group's product portfolio in the energy generation sector.

Investments aimed at improving the efficiency of the key installations of the Group's different industrial plants have been maintained 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 added value 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. This plan was reinforced in 2009 through a strict cost control plan implemented at all levels of the organisation including, among others, outsourcing, personnel structure (especially part-time personnel), external services, cleaning, travel expenses, maintenance expenses and other general overheads.

8.

1.7 Strategic Plan

The Group has continued to work on and invest in its two parallel Strategic Plans, which have timelines of 2010 and 2012. The cornerstones of the Group's strategy, as embodied by these plans, are as follows:

- Increase group profitability and volume of core business sales (seamless stainless steel tubes).
- Focus on the projects market with a more specialised product mix.
- Develop industrial improvements that will make it possible to enhance group productivity.
- Maintain the Group's competitive position in the European market in terms of market share and profitability.
- Increase the Group's presence in the most rapidly expanding markets in the sector, namely North America and Asia.
- 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.
- Enhance the product portfolio in areas of activity with high added value.
- Commercial excellence and customer service.
- Commitment to innovation throughout the organisation that will allow the Group to lead the development of customer solutions in the oil, gas and energy sectors.

2. SITUATION OF THE GROUP

As mentioned, commencing in the second half of 2008, the severe global economic downturn, coupled with a financial crisis without precedent in recent times, has given rise to a sharp reduction in investments in the sectors that consume the Group's products (mainly petrochemical, gas and energy). This has inevitably led to a considerable drop in the level of demand for seamless stainless steel tubing.

The Tubacex Group is demonstrating that it is adequately structured in all areas of strategic, industrial, commercial, economic, financial and social activity. It is working hard to operate as efficiently as possible in the current climate of economic uncertainty and firmly believes in the medium- to long-term project embodied in its Strategic Plan.

9.

3. SIGNIFICANT SUBSEQUENT EVENTS

No significant events have occurred since the 2009 close.

4. OUTLOOK FOR THE GROUP'S BUSINESS

With regard to the global economic climate, the main economies of the world are expected to slowly return to positive terrain in 2010, with recovery generally predicted to be more positive in the United States (growth of 2%) than in Europe (around 1%).

In the currency market, the US Dollar has recently shown greater strength against the Euro, which has been weighed down in the first weeks of the year by institutional and media pressure on the weaker European economies. If this trend continues, it would favour European exporters such as the Tubacex Group.

It is generally believed that oil prices will remain in the \$70 to \$80 per barrel range of recent months. These prices, together with the falling cost of energy investments and a recovery in demand, should encourage new investments in the oil, gas and energy sectors. In fact, in the last months of 2009 and beginning of 2010 signs of improvement have been seen in this area, with a increase in the number of bidding projects.

The industrial sector in general, and iron and steel in particular, will probably see some recovery in the use of production capacity in 2010, in line with the expected global macroeconomic climate. However, this recovery will be gradual and levels of activity will remain relatively low in comparison with years such as 2007 or the first half of 2008.

As a result of the above, a year of some recovery in demand is expected in the seamless stainless steel tube sector. As mentioned, some improvement has already been seen in terms of new projects in the oil, gas, chemical, petrochemical and energy sectors.

The distribution sector relating to the maintenance of existing energy infrastructures is also expected to see an improvement in demand following the considerable increase in inventories seen in 2009.

Taking into account the measures taken to adjust its capacity and dimension to current levels of demand, the Group considers it is adequately structured in all areas of activity to successfully meet the challenges of the current economic climate and even come out of it in a stronger position.

In 2010 Tubacex will begin to profit from the strategic investments established in its 2012 plan aimed at innovation, specialisation and development of new products of high added value for the oil, gas, electricity and nuclear energy sectors, which will guarantee a strengthened competitive position once the global crisis has been overcome. The agreement entered into with the Vallourec Group for collaboration in R&D&i, technological development and commercial activities is a further step towards strengthening the Group's commercial and competitive position in the short and long term.

10.

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. The Group's Strategic Plan identifies these activities as key to maximising the Group's competitiveness and leadership in its product segment in the mid to long term. With this strategy in mind, in 2009 the Group created a new subsidiary, Tubacex Innovación AIE, the goal of which is to develop innovation within the Group.

One of the most relevant points to note in this area is the agreement signed on 18 February with Vallourec & Mannesmann, through which both companies have set up joint teams to develop new projects. This agreement covers two areas of collaboration:

- (i) For the oil and gas markets, Tubacex and Vallourec & Mannesmann are developing stainless steel tubes and seamless alloys to be used in extreme and highly corrosive conditions.
- (ii) In the energy sector, Tubacex and Vallourec are working together to develop new materials capable of enduring extreme pressure and temperature conditions for the new generation of energy plants.

This collaboration has been highly satisfactory and considerable investments in R&D&i have been made throughout the year.

The most relevant projects carried out in 2009 were as follows:

- Tubacex Innovación has been admitted to the Basque Science and Technology Network and now operates as a corporate technological centre within the network.
- A three-year project commenced in 2009 to evaluate the possible use and eventual industrialisation of new ceramic covering technology for use on stainless steel tubes.
- A three-year collaboration agreement has been reached with the CEIT technological centre to develop an R&D programme between 2009 and 2012.
- Tubacex joined the GEOPLAT technological platform in 2009, the goal of which is to develop the necessary technology to commercialise geothermal energy in Spain.

6. ENVIRONMENTAL ACTIVITIES

As one of its priority strategies, the Tubacex Group has undertaken to carry out environmental activities to establish a system in all of the Group's business units aimed at minimising the environmental impact caused by its industrial activity through the use of economically viable clean technologies and implementing the measures necessary to prevent pollution in all operating situations.

11.

The main environmental initiatives carried out in 2009 are the following:

- In accordance with the 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, following pre-registration in 2008 the Group has made progress on future registration through participation in iron and waste consortiums.
- The Group's subsidiary Acería de Álava has joined the Basque Government's Environmental Monitoring Network for the continuous monitoring of particle emissions and air quality.
- Tubacex has joined a pilot project led by UNESID set up to draft MIRAT environmental risk guides and develop a tool to manage and quantify the environmental risks associated with the Group's activities.

With regard to environmental indicators, the percentage of valued waste has risen in comparison with total waste produced and nitric acid waste generation in Tubacex Tubos Inoxidables has fallen following the implementation of an acid regeneration system.

7. INFORMATIVE REPORT PURSUANT TO THE REQUIREMENTS OF ARTICLE 116 BIS OF SECURITIES MARKET LAW FOR THE YEAR ENDED 31 DECEMBER 2009

In accordance with the requirements of article 116 bis of Securities Market Law, at their board meeting held on 25 February 2010 the directors of Tubacex, S.A. prepared this report containing 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.

12.

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 2009 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 SHARES	PERCENTAGE
Álvaro Videgain	94,300	9,400	103,700	0.078%
Gerardo Aróstegui	-	43,000	43,000	0.032%
Luis María Uribarren	-	637,500	637,500	0.479%
José Antonio González-Adalid	20,000	-	20,000	0.015%
Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra	11,742,504	-	11,742,504	8.830%
Atalaya Inversiones S.R.L.	6,653,503	-	6,653,503	5.003%
TOTAL	18,510,307	689,900	19,200,207	14.437%

According to information obtained from the Spanish National Securities Market Commission, the significant shareholders of Tubacex at 31 December 2009, 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%
Cartera Industrial REA, S.A.	6,648,940	-	5.000%
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.

13.

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 and will exercise due rigour when assessing them.

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.

14.

- * 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.*

Tubacex is 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 in 2009 nor has the Company been the subject of any public takeover bid.

8. ACQUISITION OF TREASURY SHARES

The number of treasury shares held by the Group has remained unchanged in 2009 and stands at 3,142,975, which represents 2.36% of share capital.

15.

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:

	<u>Thousands of Euros</u>
Voluntary reserves	<u>17</u>
Total	<u>17</u>

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 2009 are shown in note 8 to the consolidated annual accounts.

11. OTHER

11.1 Audit fees

Audit fees in respect of professional services performed for the Tubacex Group (in Spanish companies) in 2009 amount to Euros 193 thousand.

12. ANNUAL CORPORATE GOVERNANCE REPORT

The text of the annual corporate governance report for 2009, as approved by the board of directors of Tubacex, S.A., consists of 58 pages and forms an integral part of the consolidated directors' report.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Statements of Cash Flows
(Indirect method)
for the years ended

31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

	Note	2009	2008
Cash flows from operating activities			
Profit/(loss) before income tax		(42,025)	40,731
<i>Adjusted for:</i>			
Amortisation and depreciation	5 & 6	17,031	16,668
Exchange gains/losses		(483)	3,533
Change in provisions	9, 10, 18 & 19	16,051	15,022
Finance income		(472)	(1,523)
Finance expenses		7,759	13,593
Share in profit/(loss) of equity accounted investees		(193)	(622)
Reversals of intangible asset impairment	6	(1,303)	-
Non-current self-constructed assets		(84)	-
Losses on the sale of property, plant and equipment		-	1,475
Deferred government grants		(759)	(60)
Changes in working capital		(4,478)	88,817
Decrease in trade receivables		98,864	3,224
Change in inventories		82,938	(19,111)
Change in prepaid expenses		41	(215)
Decrease in trade and other payables		(44,573)	(5,242)
Decrease in provisions	18 & 19	(3,137)	(2,816)
Decrease in employee benefits	18 & 19	(3,838)	(2,354)
Other items		-	114
Cash from operations		125,817	62,417
Interest paid		(6,580)	(12,137)
Income tax paid		(4,896)	(11,836)
Net cash from operating activities		114,341	38,444
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1,125	1,005
Proceeds from sale of financial assets		2,947	2,081
Interest received		426	738
Dividends received		610	-
Acquisition of property, plant and equipment		(38,786)	(51,472)
Acquisition of intangible assets		(4,461)	(3,948)
Acquisition of other financial assets		(11,080)	(768)
Other		(109)	-
Net cash used in investing activities		(49,328)	(52,364)
Cash flows from financing activities			
Acquisition of treasury shares		-	(5,331)
Proceeds from other non-current financial liabilities		1,344	1,869
Proceeds from interest-bearing loans and borrowings		23,110	103,483
Repayment of interest-bearing liabilities		(82,379)	(55,144)
Dividends paid		(13,154)	(19,831)
Other		(242)	(194)
Net cash (used in)/from financing activities		(71,321)	24,852
Net increase/(decrease) in cash and cash equivalents		(6,308)	10,932
Cash and cash equivalents at 1 January		28,115	17,183
Cash and cash equivalents at 31 December		21,807	28,115

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Equity
for the year ended
31 December 2009

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

	Equity attributable to equity holders of the parent									
	Share capital	Share premium	Treasury shares	Other reserves	Translation reserves	Cash flow hedges	Retained earnings	Total	Minority interests	Total equity
Balance at 1 January 2009	59,840	17,108	(7,850)	62,918	798	(1,413)	148,563	279,964	-	279,964
Total comprehensive income for the year	-	-	-	-	(806)	633	(25,777)	(25,950)	(291)	(26,241)
Business combinations	-	-	-	-	-	-	-	-	542	542
Application of retained earnings	-	-	-	4,934	-	-	(4,934)	-	-	-
Dividends paid	-	-	-	-	-	-	(13,154)	(13,154)	-	(13,154)
Other movements	-	-	-	-	-	-	36	36	-	36
Balance at 31 December 2009	<u>59,840</u>	<u>17,108</u>	<u>(7,850)</u>	<u>67,852</u>	<u>(8)</u>	<u>(780)</u>	<u>104,734</u>	<u>240,896</u>	<u>251</u>	<u>241,147</u>

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Details of Subsidiary Companies

31 December 2009 and 2008

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

Company	Registered address	Percentage ownership				Activity
		2009		2008		
		Direct	Indirect	Direct	Indirect	
Acería de Alava, S.A. (a)	Amurrio (Alava, Spain)	100%	-	100%	-	Manufacture of steel
Comercial de Tubos y Accesorios Especiales, S.A. (COTUBES) (a)	Amurrio (Alava, Spain)	100%	-	100%	-	Commercialisation of tubes
CFT Servicios Inmobiliarios, S.A.	Llodio (Alava, Spain)	-	100%	-	-	Commercialisation of tubes
Newco Metals B.V.	Amsterdam (Holland)	-	51%	-	-	Holding company
Special Steels do Brasil Distribuição de Aços Ltda. (SSB)	Sao Paulo (Brazil)	-	40.8%	-	-	Commercialisation of tubes
Tubacex Latin América	Sao Paulo (Brazil)	-	40.8%	-	-	Commercialisation of tubes
Tubacex & Cotubes Canadá Inc. b)	Ontario (Canada)	-	100%	-	100%	Commercialisation of tubes
Red Distribuidora de Tubos y Accesorios, S.A. (R.T.A.)	Llodio (Alava, Spain)	100%	-	100%	-	Commercialisation of tubes
Schoeller – Bleckmann Edelstahlrohr Immobilien AG (c)	Ternitz (Austria)	100%	-	100%	-	Real estate
Schoeller – Bleckmann Edelstahlrohr AG (SBER) (c)	Ternitz (Austria)	100%	-	100%	-	Manufacture and commercialisation of tubes
Schoeller – Bleckmann Technisches Service GmbH (SBTG)	Ternitz (Austria)	-	100%	-	100%	Technical assistance services
Schoeller – Bleckmann Technisches Service GmbH & Co. KG (SBT) (a)	Ternitz (Austria)	-	100%	-	100%	Technical assistance services
Schoeller – Bleckmann AS (SB Prag) (f)	Prague (Czech Republic)	-	100%	-	100%	Commercialisation
Schoeller – Bleckmann Edelstahlrohr Deutschland GmbH (SBERD) (f)	Düsseldorf (Germany)	-	100%	-	100%	Commercialisation
Schoeller – Bleckmann Tube France (SBTF) (f)	Paris (France)	-	80%	-	80%	Commercialisation
Schoeller – Bleckmann Edelstahlrohr Phönix Kft (SBERH) (f)	Budapest (Hungary)	-	100%	-	100%	Commercialisation
Tubacex America Holding Corporation	Albany – New York (USA)	100%	-	100%	-	Holding company
AltX Inc. (d)	Albany – New York (USA)	-	100%	-	100%	Manufacture of tubes
Salem Tube Inc. (d)	Greenville – Pennsylvania (USA)	-	100%	-	100%	Manufacture of tubes
Tubacex America, Inc. (formerly SB Pipe&Tube Inc.)	Houston (USA)	-	100%	-	100%	Commercialisation
Tubacex Inc.	Houston (USA)	-	100%	-	100%	Holding company and commercialisation
Tubacex Taylor Accesorios, S.A. (a)	Arceniega (Alava, Spain)	100%	-	100%	-	Manufacture of accessories
Tubacex Tubos Inoxidables, S.A. (a)	Llodio (Alava, Spain)	100%	-	100%	-	Manufacture of tubes
Tubos Mecánicos, S.A. (a)	Abrera (Barcelona, Spain)	100%	-	100%	-	Commercialisation of tubes
Tubos Mecánicos Norte, S.A. (a)	Llodio (Alava, Spain)	-	100%	-	100%	Commercialisation of tubes
Métaux Inox Services, S.A.S. (e)	Soissons (France)	100%	-	100%	-	Commercialisation of tubes
Tubacex Innovación AIE	Llodio (Alava, Spain)	100%	-	-	-	Innovation development

Observations

- (a) Audited by KPMG Auditores, S.L.
- (b) Audited by Duffy, Allain & Rutten, LLP.
- (c) Audited by Ernst & Young.
- (d) Audited by Grossman & Yanak & Ford.
- (e) Audited by Mazars.
- (f) Equity accounted investees.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Statement of Changes in Equity
for the year ended
31 December 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

	Equity attributable to equity holders of the parent							Total equity
	Share capital	Share premium	Treasury shares	Other Reserves	Translation reserves	Cash flow hedges	Other retained earnings	
Balance at 1 January 2008	<u>59,840</u>	<u>17,108</u>	<u>(2,519)</u>	<u>58,171</u>	<u>(1,080)</u>	<u>(1,421)</u>	<u>135,752</u>	<u>265,851</u>
Comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,878</u>	<u>8</u>	<u>37,583</u>	<u>39,469</u>
Application of retained earnings	-	-	-	4,747	-	-	(4,747)	-
Dividends paid	-	-	-	-	-	-	(19,831)	(19,831)
Acquisition of treasury shares	-	-	(5,331)	-	-	-	-	(5,331)
Other movements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194)</u>	<u>(194)</u>
Balance at 31 December 2008	<u>59,840</u>	<u>17,108</u>	<u>(7,850)</u>	<u>62,918</u>	<u>798</u>	<u>(1,413)</u>	<u>148,563</u>	<u>279,964</u>

The accompanying notes form an integral part of the 2009 and 2008 consolidated annual accounts.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheets

31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

<u>Assets</u>	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>Equity</u>	<u>Note</u>	<u>2009</u>	<u>2008</u>
Property, plant and equipment	5	153,871	133,089	Share capital		59,840	59,840
Intangible assets	6	31,731	26,352	Share premium		17,108	17,108
Investments in equity accounted investees		1,496	1,913	Treasury shares		(7,850)	(7,850)
Non-current financial assets	7	1,264	1,469	Other reserves		67,852	62,918
Deferred tax assets	12	<u>33,233</u>	<u>17,799</u>	Other comprehensive income		(788)	(615)
				Retained earnings		<u>104,734</u>	<u>148,563</u>
Total non-current assets		221,595	180,622	Equity attributable to equity holders of the parent	13	240,896	279,964
				Minority interests		<u>251</u>	<u>-</u>
				Total equity		241,147	279,964
Inventories	9	174,771	266,044	<u>Liabilities</u>			
Trade and other receivables	10	89,763	189,155	Interest-bearing loans and borrowings	15	39,739	41,121
Current tax assets	22	792	-	Derivative financial instruments	8	355	1,198
Current financial assets	7	16,577	7,697	Employee benefits	18	18,267	21,095
Derivative financial instruments	8	446	3,017	Deferred income		818	567
Prepaid expenses		273	314	Other provisions	19	4,663	6,744
Cash and cash equivalents	11	<u>21,807</u>	<u>28,115</u>	Deferred tax liabilities	12	1,347	1,247
Total current assets		304,429	494,342	Other non-current financial liabilities	16	<u>4,107</u>	<u>3,005</u>
				Total non-current liabilities		69,296	74,977
				Interest-bearing loans and borrowings	15	152,292	210,011
				Derivative financial instruments	8	1,230	3,162
				Trade and other payables	17	48,631	93,761
				Other provisions	19	11,487	6,670
				Current tax liabilities	22	<u>1,941</u>	<u>6,419</u>
				Total current liabilities		<u>215,581</u>	<u>320,023</u>
Total assets		<u>526,024</u>	<u>674,964</u>	Total equity and liabilities		<u>526,024</u>	<u>674,964</u>

The accompanying notes form an integral part of the 2009 and 2008 consolidated annual accounts.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Income Statements
for the years ended
31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

	Note	2009	2008
Revenue	27	371,465	671,804
Other income	20	5,739	4,424
Changes in inventories of finished goods and work in progress	9	(65,259)	13,535
Self-constructed non-current assets		84	60
Raw materials, other consumables and goods for resale consumed	9	(173,294)	(407,196)
Personnel expenses	21	(82,138)	(114,310)
Amortisation, depreciation and impairment losses	5 & 6	(17,031)	(16,668)
Other expenses	20	<u>(74,980)</u>	<u>(95,937)</u>
		(35,414)	55,712
Finance income	7	472	1,523
Finance expenses	8 & 15	(7,759)	(13,593)
Exchange gains/(losses)		483	(3,533)
Share of profit of equity accounted investees		<u>193</u>	<u>622</u>
Profit/(loss) before income tax		(42,025)	40,731
Income tax recoverable /(expense)	22	<u>15,957</u>	<u>(3,148)</u>
Profit/(loss) for the year		<u>(26,068)</u>	<u>37,583</u>
Attributable to			
Equity holders of the parent		(25,777)	37,583
Minority interests		<u>(291)</u>	<u>-</u>
		<u>(26,068)</u>	<u>37,583</u>
Earnings/(loss) per share (expressed in Euros)			
- Basic	14	<u>(0.201)</u>	<u>0.289</u>
- Diluted	14	<u>(0.201)</u>	<u>0.289</u>

The accompanying notes form an integral part of the 2009 and 2008 consolidated annual accounts.

TUBACEX, S.A. AND SUBSIDIARY COMPANIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2009 and 2008

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

	Note	2009	2008
PROFIT/(LOSS) FOR THE YEAR		<u>(26,068)</u>	<u>37,583</u>
Other Comprehensive Income:			
Translation differences of financial statements of foreign operations		(806)	1,878
Cash flow hedges	15	879	11
Tax effect		<u>(246)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAXES		<u>(173)</u>	<u>1,886</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(26,241)</u>	<u>39,469</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent		(25,950)	39,469
Minority interests		<u>(291)</u>	<u>-</u>
		<u>(26,241)</u>	<u>39,469</u>

The accompanying notes form an integral part of the 2009 and 2008 consolidated annual accounts.