

CHAIRMAN'S STATEMENT

Dear shareholder,

Once again, I have the honor of addressing you as the Chairman of TUBACEX to inform you about the most relevant landmarks of 2010, a very complex year in which we have made immense efforts to return to the path of profitability.

After the severe crisis suffered at the end of 2008 and, especially, during 2009, 2010 has developed in an environment of slow international economic recovery. This fact, coupled with the increase of oil prices that reached 95USD/barrel, has led to a gradual increase in investments in the oil, gas, energy and petrochemical industries, which account for most of the demand of the seamless stainless steel tubes manufactured by our Group.

In this context, the demand for our products has experienced an increase throughout 2010, mostly during the second half of the year and mainly in terms of volume. Prices have remained very low in comparison to those we had before this crisis. Our sales have reached 361.78 million euros, 2.6% less than 2009, which reflects the difficulties we have faced during this year.

Throughout 2010, we have developed important programs to improve competitiveness in the industrial, commercial and financial arenas. Such improvements have been combined with adjustments of the costs structures in the main units of the Group. As a result of these efforts, the gross operating profit (EBITDA) has been positive by 13 million euros, compared to a negative figure of 18.38 million euros in the previous year. However, the slow recovery of the demand has not been enough to achieve a positive net profit for the year, but it has allowed us to reduce the losses registered in 2009 by 74.6%.

The year 2010 has developed from less to more. The first quarter closed with significant losses as a direct consequence of the financial crisis of 2009; whereas from the second quarter onwards we have registered positive net profits. TUBACEX maintains a sound financial situation and has a net equity representing 40.3% of its total liabilities. This situation has enabled us to start the operation of strategic investments amounting to 52.30 million euros, which have been destined to furnishing our facilities to manufacture new products requiring a higher level of expertise and high added-value within the oil, gas and power generation industries.

In 2010 we have launched a new plant in Austria, considered a worldwide technological benchmark, specialized in manufacturing tubes for umbilicals; a product designed to support activities in the exploration and extraction of oil and gas under critical conditions. These investments have been added to those made in the previous years in Spain to manufacture high added-value tubes for exploration and extraction of oil (OCTG) in extreme

conditions and tubes for supercritical boilers. This represents a quantitative and qualitative leap in terms of the products offered by our company.

As usual, we remain committed to innovation as a key element in the future development of our company. In addition to launching new products, during the year we have successfully continued to develop our agreement with Vallourec & Mannesmann in R&D&I, technological development and commercial strategy, which has meant an increasingly important activity for our company.

In regards to 2011, we expect it to be a difficult year for the industry and our company in particular, although our ultimate goal is to consolidate and improve the positive results obtained during the second half of 2010. The increase of the activity in key industries of the global economy, the introduction of new high added-value products, the development of the strategic alliance with V&M, the increase of profitability levels and the fruits of the hard work to improve competitiveness and reduce costs developed over these past years have made us optimistic as to the improvement of results.

Added value, quality service, specialization and industrial excellence mark the pathway to the future. We will continue to work intensely to strengthen our competitive position, to further reinforce our financial strength and promote the company's global presence; elements that will ultimately enable TUBACEX to face its future with full guarantee.



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