

CHAIRMAN'S STATEMENT

Dear Shareholders,

Once again, like in previous years, I have the honour of addressing you through the first pages of the Annual Report of TUBACEX S.A., as Chairman of its Board of Directors, to report the most outstanding highlights of the past financial year to you, as well as to account for the actions of the last year to the persons who, by depositing their trust in TUBACEX and its group of companies, make it possible to continue with this ambitious and exciting project.

You will allow me to point out that, in view of the evolution of business and the ever changing economic environment that we live in, the classic reporting of accounts has become much more than a mere presentation of economic results, because through this Annual Report we seek to show all the progress we have made, both tangible and intangible, that contributes to our objectives being achieved each year, as well as to give an overview of the Company's future strategy.

I shall start by saying that financial year 2007 has been an excellent year for TUBACEX in every respect. We are not saying this only because we have obtained unprecedented results in the Company's 45 year history, but also because we have seen many of the targets that we had marked out for the Plan 2010, and which were presented to you not so long ago, in 2004, now fulfilled. All this has been achieved whole internally we have continued to develop our organisational values and capabilities as an enterprise in such a way that our future competitiveness is assured.

Economic evolution

There are two main factors which have clearly contributed to achieving this positive financial year. On the one hand is the strength of the world economy, backed by the growth of emerging and developing economies, especially China, India and Russia, and by the good situation in the European Union. Above all, however, are the high prices reached by oil, which have meant an important increase in investments in energy-related sectors, chiefly oil and gas, and brought about a significant increase in demand for the products we manufacture. This dynamic situation of our market has led us to an unprecedented order book as regards both quantity and quality.

As a result of this market situation, sales have grown almost 30% and profits have been very good, with EBITDA of 106.17 million euros and net profits 83.1% higher than the previous year.

There are two other factors to be highlighted regarding the year that we are closing. The first of these is the weakness of the dollar against the euro, which has penalised exports by European companies. The second is the great volatility as regards raw material prices, especially nickel, which has had a considerable effect on our business, although due to the positive market situation we have been able to pass on these increases to the end user.

Targets achieved

As mentioned earlier, a prime factor for the success achieved this year was fulfilment of the goals marked out in both the Strategic Plan 2010 and the Competitiveness Scheme. As you will recall, the still valid Strategic Plan has been in implementation since late 2004, with the aim of converting TUBACEX into a world reference in the production of seamless stainless steel tubes in 2010.

However, during 2007 we have already achieved most of the goals of this Plan, earlier than expected, including tripling sales, as opposed to the target of a 65% increase, and multiplying EBITDA fourfold, compared to the initial target increase of 125%. As a result, we have already started the reflection process for a new plan, with a 2012 time frame.



On its part, the Competitiveness Scheme, which we have been implementing parallel to the Strategic Plan in recent years, has enabled us to develop a differential competitive position as regards our main industrial facilities, not only in profitability but also in productivity and costs. This Scheme is still in force and will continue to contribute to Group profits.

Innovation

Innovation is one of the key organisational values I mentioned to you at the beginning of this statement, when I commented that we have continued working on the business values and developing organisational capabilities with the clear intention of keeping improving.

But this means improvement in the widest sense of the word and, to achieve this, we are promoting and developing a concept of transversal innovation, based not only on technological innovation but covering all areas of the organisation and all its systems, with the creation of new ideas, concepts, products, processes, services and management practices, and focusing on creating value for our markets and customers.

Corporate governance

The progressive incorporation of new practices as regards corporate governance has always been one of our priorities. The intention and commitment of the Board of Directors, to continue incorporating all aspects that favour transparency in management into its activities, seeks to

consolidate the leading position that TUBACEX holds regarding good governance.

The alterations introduced into the Codes of Conduct for the Board of Directors and for the General Shareholders Meeting, and approved by the General Shareholders Meeting during 2007 in compliance with the regulations on the Unified Good Governance Code of Listed Companies, are proof of this. In this respect, I am pleased to inform you that TUBACEX complies with it almost entirely and that in this Annual Report you will find a chapter devoted wholly to its Corporate Governance.

Corporate social responsibility

In the same way, you will find another extensive chapter on what today is known as "Corporate Social Responsibility" and that includes all the commitments taken on by TUBACEX for its different stakeholders, thereby demonstrating its concern for aspects both universal and essential and whose absence would mean this thrilling project could not be implemented. Among others, these are business ethics, good corporate governance, transparency, commitment to sustainability, respect for the environment, prevention of occupational hazards, as well as contributions to society and culture in its different forms.

TUBACEX on the stock market

Finally I would like to briefly review the performance of TUBACEX on the stock market. With an increase in value of 35.2%, our shares have closed the financial year at a price of 6.68 euros per share. Even though you are well aware of our evolution, I would like to highlight that our stock has been the thirteenth highest increase in value on the stock exchange and that this is the seventh year in a row with increases in its price, which jointly means that its value has multiplied sixfold since closing in 2000.

As regards the shareholder remuneration policy, and continuing with the clear objective of value creation and maximising profitability, this year the Board of Directors will propose to the AGM a total payout of 19.83 million euros, compared to the 12.38 million euros paid out in 2006, representing the biggest dividend ever paid out by the Company.

Forecasts for 2008

With regard to prospects for the current financial year, forecasts predict a certain slowdown in the international economy, with moderate growth for Europe (1.7%) and the United States (0.9%) but with important increases in China, India and other emerging economies.

As already commented on, our sector is continuing to benefit from the important investments being carried out in the entire oil value chain, resulting from the high price reached in the early months of the year, as well as in the energy and petrochemical sectors. For these reasons, and in the months which have already lapsed, we can confirm that this will also be a good year, as verified by the positive results obtained in the first quarter.

Nevertheless, we should not set caution aside because we shall continue to be exposed to a set of adverse conditions, such as the true scope of the North American financial crisis, raw material price movements, the evolution of currency markets and the effects that oil prices might have on inflation.

We always bear in mind that there are uncertainties in the economy, but we can also be satisfied that we have had an exceptional 2007, with the contribution of the management team and of all the persons that make up TUBACEX today. Their daily collaboration, capability and dedication at the service of a project grows each day, creating value in all directions.

TUBACEX is now a reference for quality and a model in its sector for efficiency in its processes and for the professionalism it shows with its management and actions. I believe that as shareholders we can feel very proud of trusting in a modern company like TUBACEX, which has passed its 45th anniversary and looks to the future with optimism, ready to face new challenges like those we are proposing in the new Strategic Plan, and to continue moving forward with the same firmness and conviction that has enabled it to become one of the world's leading companies in the seamless stainless steel tube sector.

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