



Tubos Reunidos GROUP

Annual
Report
2011

1 Introduction



Business progressed very satisfactorily for TUBOS REUNIDOS GROUP in 2011, thereby confirming the clear trend of improvement that started during the previous year.

External factors that influenced this positive development include increased activity in the oil and gas sector, the significant business conducted by European stockists and distributors, as well as investments being made in the field of electric power generation.

The level of profitability achieved by TUBOS REUNIDOS GROUP in 2011 may be described as superb. The net consolidated turnover stood at 458.1 million euros, making it 37 per cent more than in the preceding year, with net profit of 24.4 million euros and EBITDA of 60.4 million euros being achieved, which is much higher than the 39.3 million euros obtained in 2010.

As usual, it is necessary to acknowledge and thank the professionalism and quality work of the people at TUBOS REUNIDOS GROUP, as well as the invaluable participation and collaboration of all related interest groups that have made success possible: customers, suppliers, institutions, etc.

With regard to the most immediate future, the GROUP's Strategic Plan for the 2011-2014 period was approved in 2011. Its main goals and lines of work include every greater product range specialization, increasing internationalization of sales, higher exposure to energy-related markets, increased sales in markets and product with better profitability and future and, of course, maintaining our competitive position by containing costs.

To this effect, the investment plan implemented throughout the year, for a total of 37 million euros, was clearly committed to innovation in processes and products, as an essential factor for consolidating the GROUP's competitive position, without forgetting the important amounts dedicated to the environment, safety and prevention. In the same way, important R&D&I projects were carried out in 2011, many of them in collaboration with laboratories and technology centres.

As regards 2012, macroeconomic developments will continue to be subject to uncertainty, especially in Europe. However, in the rest of the world the situation is stronger, with moderate growth in the US economy and more robust situations in emerging countries.

TUBOS REUNIDOS GROUP is facing financial year 2012 optimistically. Its differential business model compared to the competition, in terms of product quality, flexibility and customer service, together with its experience and reputation in the main tube markets, should enable the GROUP to maintain the current positive situation. To achieve this, its strategy of selecting higher added value products and strategic markets will continue to be decisive.

This set of factors have led to TUBOS REUNIDOS GROUP resuming its policy of distributing dividends, as announced in 2010, with a first interim dividend of 0.012 euros per share paid in December 2011, and the proposal of a supplementary dividend of 0.018 euros per share.

2 Key consolidated data



Item	2011	2010	2009	2008
NET INCOME*	458,056	334,345	335,083	728,360
NET EARNINGS*	24,435	-14,183	1,059	81,846
NET CASH FLOW*	46,044	6,931	20,463	103,038
NET CASH FLOW / SALES (%)	10.1	2.1	6.1	14.1
TOTAL ASSETS*	693,867	685,741	664,368	749,991
EQUITY*	224,722	202,938	219,474	231,707
EBITDA*	60,386	39,240	36,665	153,133
EBITDA / SALES (%)	13.2	11.7	10.9	21.0
PROFIT / ASSETS (ROA) (%)	3.5	(2.1)	0.2	10.9
PROFIT / EQUITY (ROE) (%)	10.9	(7.0)	0.5	35.3
ADDED VALUE*	159,509	125,115	129,837	270,480
WORKFORCE	1,632	1,586	1,604	1,729
MARKET VALUE (31-12)	268,135	319,666	373,817	363,336
BOOK VALUE / SHARE (EUROS)	1.3	1.2	1.3	1.3
PRICE / BOOK VALUE (TIMES)	1.19	1.58	1.70	1.57
EARNINGS PER SHARE (EUROS)	0.14	(0.08)	0.01	0.47
AVERAGE ANNUAL LISTED PRICE (EUROS)	2.0	2.03	2.16	3.47

*FIGURES IN THOUSANDS OF EUROS.

3 Economic environment

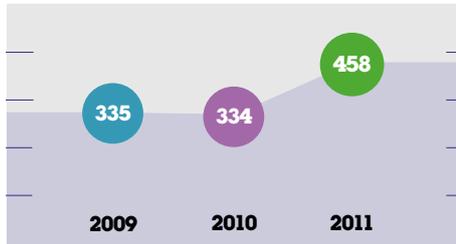


EMERGING
COUNTRIES WERE
AGAIN LEADERS IN
WORLD GROWTH



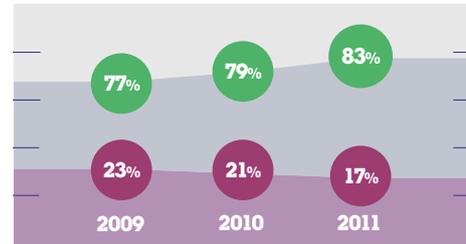
Net income of TUBOS REUNIDOS GROUP

(in millions of euros)



Sales to domestic and export markets

(in millions of euros)



Exports
Nacional

Financial year 2011, like the previous period, was characterized by uncertainty in the macroeconomic environment. Other exceptional circumstances were added to the strictly economic variables, such as the earthquake and subsequent tsunami in Japan or the political and social instability in some countries in North Africa and the Middle East, which had a significant influence both on the perception of risk in the world situation and in economic transactions with the countries concerned.

In this environment, overall activity shifted from a first half in which it appeared that the crisis would finally be behind us, to a few months, after the summer, when growth expectations were weakened and doubts about the economy reappeared.

This situation was especially evident in the European Union, where the slowdown in some economies that had experienced growth in the first half of the year, like in the case of Germany and the Nordic countries, was added to still unresolved problems in other countries (mainly those situated to the South, with Greece at the head).

The situation was, on the contrary, more positive in other parts of the world such as India, China, Eastern Europe and South America, where Brazil also maintained its thrust.

In this context, the price of oil at the end of 2011 was 117 US\$ per barrel, marking a bullish trend throughout the year, which has positively influenced crude oil drilling and extraction activity. On their part, raw materials related to the steel industry showed much more erratic tendencies, affected by a downturn in the steel industry.

As regards currency exchange, the euro closed the year at an exchange rate of 1.29 US\$, after fluctuating in a highly volatile manner between a minimum of 1.49 and a maximum of 1.26. Interest rates remained very low, although increases in risk premia experienced in Europe were transferred to the cost of financing, which underwent a significant increase.

With regard to the steel sector, world steel production increased by 6.8% in 2011, to stand at 1,527 million tonnes. By geographical areas, we see that the United States and Asia led growth, with increases of the 7.8 and 7.1 percent, respectively. In Europe, however, growth was much more moderate, reaching 2.8 percent.

Insofar as the Spanish market is concerned, production showed a fall of 4.6 percent, reflecting a clear weakness as a result of the poor economic situation.

4 Seamless steel tube production

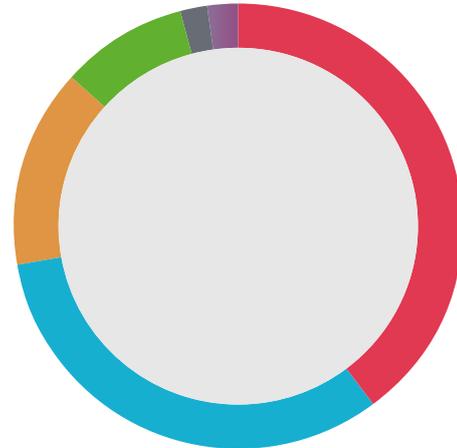


WORLD
PRODUCTION
OF SEAMLESS
STEEL TUBES
CONTINUED ITS
RECOVERY



Destination of TR exports

(in % of tonnes)



39%	European Union
32%	North America (USA & Canada)
14%	Far East
9%	Middle East
2%	Latin America
2%	Africa

The seamless steel tube sector continued on the path of recovery in 2011, thanks to certain reactivation experienced in European industry in the first half of the year and, in particular, due to the strength of the oil and gas market and the launching of power generation projects in areas such as the Middle East and Asia.

By geographical areas, in addition to the fact that China has continued to increase its production significantly in recent years, the increase in production in the European Union, reaching the figure of 4.8 million tonnes, must also be highlighted. For its part, apparent consumption in the European Union was seen to increase by 19 percent in the year as a whole.

With regard to the domestic market, seamless steel tube production also grew, with the European Union and the United States as main export destinations.

In this context, and after discounting operations within the GROUP, the turnover generated by the seamless steel tube production and distribution business amounted to 416 million euros, an increase of 44% on the previous financial year. This figure accounts for 90 percent of the consolidated turnover of TUBOS REUNIDOS GROUP.

4 Seamless steel tube production



TUBOS
REUNIDOS
INDUSTRIAL
IMPROVED ITS
TURNOVER BY
45 PERCENT

Key economic data TUBOS REUNIDOS INDUSTRIAL

(in thousands of euros)

Capital	50,000
Equity	74,117
Total Assets	333,712
Turnover	295,110
2011 Profit	19,013
Workforce as at 31-12	698

TUBOS REUNIDOS INDUSTRIAL

Throughout 2011, business activity at TUBOS REUNIDOS INDUSTRIAL confirmed the positive trend that began the previous year, with a growing volume of orders and use of production capacity approaching 100 percent virtually all of the year.

Consequently, overall figures recorded by the company may be classed as excellent. Billing reached the 295 million euros, 45 percent more than in 2010, net profit amounted to 19 million euros and self-financing totalled 32.1 million euros. For its part, 44.2 million euros of EBITDA was obtained, more than doubling the amount of the previous year, and equivalent to 15 percent of sales.

Among the determining factors for this positive evolution we can mention:

- ⇒ Increased activity in the oil and gas sector, not only in North America but also in the Middle East and Asia, as well as larger investments carried out in the field of power generation, mainly in emerging countries.
- ⇒ The diversified geographical positioning of TUBOS REUNIDOS INDUSTRIAL and its specialization in high added value tubes, which now account for a large majority of sales. This effort in innovation, together with great flexibility and quality customer service, have been key in differentiating the company from its competitors.
- ⇒ Effective cost control measures, along with the process optimisation, have resulted in an improvement in profitability, compensating for the rise in the price of raw materials.

As regards the financial structure, the self-financing generated and the good evolution of current assets provided a very solid position, so that at year end the working capital amounted to 48.4 million euros and net debt stood at 87.5 million euros, with this latter figure representing less than twice the EBITDA obtained and showing a reduction of 12 million euros over the financial year.

As regards the geographical distribution of sales, a decline in the tonnes of tube sold in Spain was observed yet another year, accounting for only 14 percent of total sales, the lowest percentage in the history of the company. The main destination markets for the remaining 86 percent were the European Union, North America and the Middle East, followed by emerging countries in Asia, South America and Africa.

4 Seamless steel tube production

Key economic data PRODUCTOS TUBULARES

(in thousands of euros)

Capital	17,000
Equity	90,260
Total Assets	155,631
Turnover	108,761
2011 Profit	7,347
Workforce as at 31-12	439

PRODUCTOS TUBULARES

Despite the difficult economic environment and the hardening of market conditions, the result of business activity carried out by PRODUCTOS TUBULARES throughout 2011 can be considered very positive.

Turnover reached 109 million euros, 41 percent more than in the previous year, and net profit exceeded 7 million euros, with self-financing of 12 million euros. On their part, both EBITDA and EBIT remained at high levels, almost 12% and 7% of sales, respectively.

Likewise, the financial structure of the company is still excellent, with more than 90 million euros in equity and 25 million euros of working capital as at 31 December 2011. With regard to return on equity (ROE) or on total assets (ROA), it is on a par with the industry leaders.

These optimal results once again confirm the solid fundamentals of efficiency, profitability and excellent risk management of PRODUCTOS TUBULARES. In order to achieve this level of competitiveness, the company remains committed to making production more flexible according to demand and constant innovation both in products and in processes.

Like in previous years, large tubes and special alloy and stainless steel tubes again accounted for virtually all sales, in line with the established strategy of specialization in high added value products.



PRODUCTOS
TUBULARES
INCREASED
ITS TURNOVER
BY 41
PERCENT

5 Other industrial activities



As announced in the Strategic Plan 2011-2014, GRUPO TUBOS REUNIDOS is working on the value enhancement of its subsidiaries dedicated to other industrial activities.

As a result, distribution activity has been reorganised to provide an adjustment in size and refocus its business model on its natural sector: distribution of industrial products.

With regard to Inauxa, the subsidiary dedicated to the automotive auxiliary industry, we have to highlight the collaboration agreement signed with Volkswagen for the creation of an international reference centre for carrying out component engineering and validation, which will favour the development and construction both of parts and of complete products destined for various industrial sectors.

This technology transfer agreement with Volkswagen is part of the company's plan for growth and internationalisation, as a result of which the subsidiaries Inaumex (Mexico) and Inautek (China), as well as the EDAI engineering division, have been established.

Finally, and with regard to the manufacture of large-volume tanks, we can highlight that an agreement was reached for the sale of the 50 percent stake held by TR-Lentz to the partner that owned the other 50 percent, Sotralentz.

6 Information on
financial year 2011

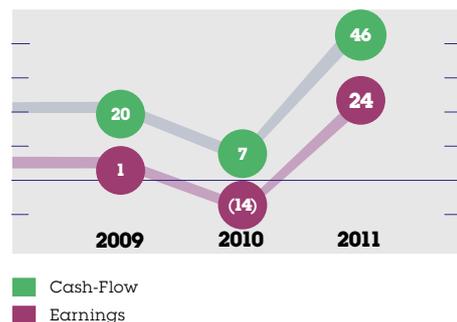


GRUPO TUBOS
REUNIDOS
OBTAINED NET
PROFIT OF 24.4
MILLION EUROS



Progress of cash flow and profits of TUBOS REUNIDOS GROUP

(in millions of euros)



6.1. Economic and financial analysis

In 2011 TUBOS REUNIDOS GROUP obtained net profit of 24.4 million euros and gross operating profit (EBITDA) of 60.4 million euros (with a sales margin of 13.2 percent), a figure that represents an increase of 53.9 percent compared to 2010. Consolidated sales rose to 458.1 million euros, 37 percent higher than in the preceding period. Consequently, the earnings of the group in financial year 2011, despite the financial crisis and the situation of international economic uncertainty, were very satisfactory.

The year was characterised by activity being maintained practically constant. Thus, the turnover for each of the quarters was very similar, fluctuating between a quarterly minimum of 108 million euros and a maximum of 120 million euros. There was an upturn in the price of oil, which had a positive influence on crude oil drilling and extraction activity.

Sales expenses, corresponding to supplies and stock variation, increased by 3 percentage points over the previous year, rising from 45.3 per cent in 2010 to 48.3 per cent in 2011. Control and efficiency in production costs made it possible to offset the effect of the increase in the purchase price of raw materials, mainly scrap, which became 13 per cent more expensive.

Other operating cost items performed very positively in 2011. The increase in sales prices and the improvement in activity and consumption levels enabled the expenditure to sales ratio on energy, personnel, external services and other expenses to be reduced, thereby achieving operating earnings of 8.5 percent on sales, compared to 5.7 percent in 2011.

GROUP total assets at year end amounted to 693.9 million euros, in which it is advisable to point out, in accordance with the guidelines set out in the Strategic Plan, the containment of investment in working capital, inventories and trade receivables, which showed an increase of 2 percent in the year, compared to an increase of 37 percent in turnover in 2011.

The GROUP continues to post the disposal group assets classified as held for sale, corresponding to the distribution business, on its balance sheet, as no sale had taken place by year end. In 2011, the assets corresponding to the business of manufacturing polythene tanks, for which a sales agreement has been reached and is to be concluded in the first half of 2012, were reclassified under this heading. The amount of assets held for sale totalled 79.7 million euros and the amount of liabilities to 62.4 million euros, with shareholders' equity of 17.3 million euros.

Total bank debt, related to continuing operations, amounted to 176.7 million euros, of which 82 percent, i.e. 144.8 million euros, are long-term debts, mostly (75 percent) with more than two years to maturity. Liquidity, meanwhile, equivalent to cash in hand and other current financial assets, stood at 63.7 million euros as at 31 December 2011. All this means a net financial debt from continuing operations of 113 million euros, equivalent to a ratio of 1.87 times EBITDA. The net financial debt from discontinued operations is 51.3 million euros, which means that the overall net debt of the GROUP is of 164.3 million euros, i.e. 2.72 times EBITDA.

TUBOS REUNIDOS GROUP, with net self-financing of 46 million euros, backed by the effort made to control working capital and debt levels, is still strengthening its balance sheet structure, with net equity of 238.3 million euros, 12.8 percent higher than in 2010, and permanent capital of 446 million euros, representing 64 percent of total liabilities. Return on equity (ROE) is 10.9 percent and working capital corresponding to continuing operations is 82.3 million euros, with a 13 percent improvement compared to the previous year.

6 Information on financial year 2011

Investments made by TUBOS REUNIDOS GROUP

(in millions of euros)



6.2. Innovation

Promoting innovation, always present in the culture of TUBOS REUNIDOS GROUP, has given rise to a qualitative leap in its supply of products and services, and a determined commitment to specialisation at its Amurrio and Galindo plants.

The investment plan implemented throughout the year, for a total of 37 million euros, was mostly concentrated on innovation in processes and products, as an essential factor for consolidating the GROUP's competitive position, although without forgetting other significant factors such as the environment, safety and prevention.

The most important projects undertaken at the TUBOS REUNIDOS INDUSTRIAL plant in Amurrio were:

- Internal production of high alloy steels.
- Thrust bench modelling.
- Method of rolling alloy steels for OCTG and boiler.
- "Solgel" tubing project for solar power towers.

On its part, the following actions were undertaken at the PRODUCTOS TUBULARES plant in Galindo:

- Total remodelling of the "Salem" furnace.
- Awarding the contract for the new Pilger mill, for replacement in summer 2012.
- Rolling tubes up to 23", starting from the new 5-tonne ingot, to produce a total of 2,538 tonnes of the new range.
- Various projects related to tooling, many of them performed by the plant's own facilities.

Additionally, it must be mentioned that internal innovation committees, formed at the highest executive and technical level, are fully operational in both factories, and the sales technical service has been strengthened, with the aim of guaranteeing maximum service quality (absence of defects, documents, delivery deadlines, flexibility and after-sales).

Finally, we must emphasize the implementation of important R&D projects in collaboration with laboratories and technology centres, supported by organisations like the CDTI, belonging to the Ministry of Industry, and GAITEK, belonging to the Basque Government.



INVESTMENTS
IN 2011
REACHED 37
MILLION EUROS



6 Information on
financial year 2011



OPTIMAL
VOCATIONAL
TRAINING AND
IMPROVED
OCCUPATIONAL
SAFETY AND
PREVENTION,
KEY
COMPETITIVE
FACTORS FOR
TUBOS REUNIDOS
GROUP

6.3. Social aspects

In human resources, a basic pillar for strengthening the GROUP competitively and fulfilling its strategic goals, work continued with the purpose of achieving a suitably sized and motivated workforce with the optimum skills for the technological challenges to be faced.

Subsequently, a major effort has been made in training, focusing particularly on specific subjects for different jobs, in the search for versatility, and in occupational safety and prevention. As regards this latter matter, we must highlight that accident rates in 2011 the have the lowest in the history of the GROUP, as a result of the effort and the substantial investments made in this field, which will undoubtedly be continued in the future.

As a significant event, we have to point out that the PRODUCTOS TUBULARES plant was awarded the Lloyd's Register certificate for its Occupational Hazard Prevention Management System in accordance with OHSAS 18001. TUBOS REUNIDOS INDUSTRIAL already held this certification.

Before concluding, we are obliged to thank all the people who make up TUBOS REUNIDOS GROUP, in all its companies and structures and at all professional levels, for their commitment and dedication, because without their cooperation the implementation of all these actions and activities and the success in the results obtained would not have been possible.

7 Shareholders and the Stock Market

Key data

The share capital of TUBOS REUNIDOS, as of 31 December 2011, is 17,468,088.80 euros, represented by 174,680,888 shares with a face value of 0.1 euros each. These shares are officially listed on the Bilbao and Madrid stock exchanges. Since 1 July 2005 they have been listed on the continuous market of the stock market interconnection system (SIBE) of the Madrid Stock Exchange.

Since 2 January 2009, TUBOS REUNIDOS has belonged to the Ibex Medium Cap index, made up of the 20 securities with the highest adjusted working capital, excluding the Ibex 35 listed companies.

IBEX 35	-13%
TUBOS REUNIDOS	-16%
TUBACEX	-25%
COMPARABLE EUROPEAN COMPANIES	-29%

A summary of listing prices is as follows:

PRICES	EUROS/SHARE	DATE
MINIMUM	1.39	4-OCT
MAXIMUM	2.44	12-MAY
FINAL	1.53	30-DEC
AVERAGE	2.00	

Stock market evolution

The evolution of the stock market in 2011 was marked by a clear slowdown throughout the year, especially since the summer, due to the worsening of the crisis in the Eurozone.

The correction was more evident in sectors such as the financial one, heavily burdened by the problems derived from their exposure to sovereign debt, and in cyclical companies, because in autumn a return in the financial markets to a macroeconomic scenario as of 2009 began to be foreseen.

This was also reflected in trading volumes, with the second half of the year characterized by minimum levels.

In the case of TUBOS REUNIDOS shares, although affected by a fall in their listing price in line with the market, their better performance in relation to their main comparable shares must be emphasised, reflecting the good operational evolution of the company, as shown in the table that follows.

Concerning liquidity, the frequency for trading of quoted shares was 100% throughout the year (257 days). As mentioned previously, trading volumes in 2011 were very low due to Spanish risk aversion by international investors.

SHARES TRADED (THOUSANDS)

2011	SECURITIES	CASH
1 ST QUARTER	16,924	33,552
2 ND QUARTER	14,602	32,975
3 RD QUARTER	6,796	12,343
4 TH QUARTER	5,373	8,733
TOTAL	43,695	87,603

SHARES TRADED (THOUSANDS)

2010	SECURITIES	CASH
1 ST QUARTER	15,170	32,221
2 ND QUARTER	11,400	22,410
3 RD QUARTER	5,872	11,425
4 TH QUARTER	6,704	12,479
TOTAL	39,146	79,535

Treasury stock

TUBOS REUNIDOS has signed a liquidity contract, as the CNMV was informed by means of a Significant Event on 21 July 2008, which came into force on 8 September 2008, and which fully complies with the stipulations of Circular 3/2007, of 19 December.

The balance of the treasury stock (bought-back shares), which is intended entirely to serve the liquidity contract, as of 31 December 2011 was 2,855,140 shares, representing 1.6% of the Company's share capital.

Shareholder remuneration

In financial year 2011, the Board of Directors, at its meeting held on 27 October 2011, approved an interim dividend of 0.012 euros per share for a total amount of 2.1 million euros, which became effective on 20 December 2011.

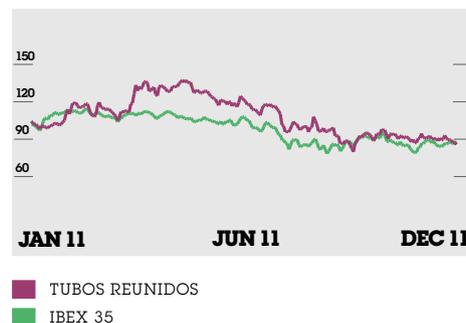
In the same way, at the Annual General Meeting of shareholders the Board of Directors proposed a supplementary dividend of 0.018 euros per share, representing an additional disbursement of 3.1 million euros.

Relations with shareholders and investors

The shareholder and investor relations section has attended several meetings with institutional investors at the leading domestic and international financial centres and has also answered requests for information or assistance from minority shareholders through the shareholders' office. The aim of all this is to maintain the commitment of the GROUP to provide the greatest transparency in its relationships with the different players in the financial markets.

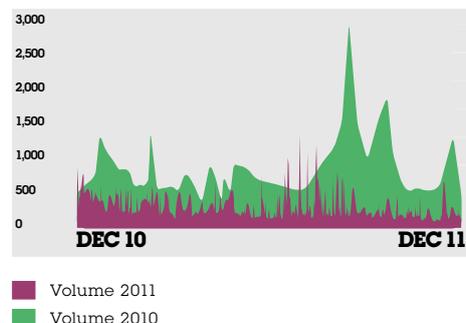
Evolución of trading

(in millions of euros)



Evolution of trading

(in thousands of shares)



The Annual Corporate Governance Report (ACGR) for financial year 2011 may be consulted in its entirety on the Company website (www.tubosreunidos.com) and on the CMNV website (www.cnmv.es).

Moreover, in accordance with Article 526 of the Spanish Corporations Act, ACGR is included as a separate section of the Management Report for financial year 2011.

In 2011, as a new feature, the information required by article 61 bis of the Securities Market Act, according to the drafting by the Sustainable Economy Act 2/2011 of 4 March 2011, highlighting the description of the main features of the internal control and risk management systems, in relation to the financial reporting process which will be referred to later, has been included in the ACGR.

The most relevant aspects are described below:

Ownership structure

There has been no alteration in 2011, which means that the shareholders with a significant holding, either direct or indirect, considering the threshold to be the 3% established by Royal Decree 1362/2007, of 19 December, remain as follows:

GRUPO BBVA	23.403 PERCENT
ACCIÓN CONCERTADA FAMILIA ZORRILLA-LEQUERICA PUIG	10.223 PERCENT
MR. GUILLERMO BARANDIARÁN ALDAY	6.359 PERCENT
MS. CARMEN DE MIGUEL NART	3.816 PERCENT
MR. EMILIO YBARRA CHURRUCA	3.331 PERCENT
MR. SANTIAGO YBARRA CHURRUCA	3.331 PERCENT

Composition of the Board of Directors

The number of members of the Board of Directors was 11 throughout 2011. The by-laws establish a minimum of 4 members and a maximum of 14.

The Board of Directors of TUBOS REUNIDOS consists of the following types of directors:

- ➔ 1 other external director
- ➔ 1 executive director
- ➔ 6 external proprietary directors
- ➔ 3 external independent directors

Consequently, the structure of the Board complies, among other aspects, with the following recommendations of the Combined Code:

- ➔ External proprietary and independent directors make up the great majority of the Board (82%)
- ➔ The number of executive directors is the minimum necessary (only 1)
- ➔ The number of independent directors represent almost one third of all board members (3 out of 11)

The Board of Directors met on 5 occasions during 2011, with only 3.6% of absences recorded in the whole year. All agreements reached by the Board were taken unanimously.

At the meeting of the Board of Director held on 3 June 2009, it was unanimously agreed that a Board Executive Committee should be created, composed of 6 members. In 2011 this Committee was composed of the following members:

CHAIR (OTHER EXTERNAL DIRECTOR):

Mr. Pedro Abásolo Albóniga

MEMBER (EXECUTIVE DIRECTOR):

Mr. Luis Fernando Noguera de Erquiaga

MEMBER (PROPRIETARY DIRECTOR):

Mr. Francisco Esteve Romero

MEMBER (INDEPENDENT DIRECTOR):

Mr. Luis Alberto Mañas Antón

MEMBER (PROPRIETARY DIRECTOR):

Mr. Enrique Portocarrero Zorrilla Lequerica

MEMBER (PROPRIETARY DIRECTOR):

Mr. Emilio Ybarra Aznar

The Executive Committee reflects the composition of the Board as regards the type of directors. The Executive Committee held 7 meetings during 2011 and all agreements were adopted unanimously.

The frequency of the meetings of the decision-making bodies, either the Board of Directors or the Executive Committee, was monthly.

The Auditing Committee met 7 times during 2011 and was made up, throughout the whole year, of the following directors, chaired by an independent, fulfilling the recommendation of the Combined Code:

CHAIR (INDEPENDENT DIRECTOR)

Mr. Roberto Velasco Barroetabeña

MEMBER (PROPRIETARY DIRECTOR)

Mr. Alberto Delclaux de la Sota

MEMBER (PROPRIETARY DIRECTOR)

Mr. Joaquín Gómez de Olea Mendaro

MEMBER (PROPRIETARY DIRECTOR)

Ms. Leticia Zorrilla-Lequerica Puig

For its part, the Appointments and Remunerations Committee held 4 meetings in 2011 and is also composed of an independent chair and the following directors:

CHAIR (INDEPENDENT DIRECTOR)

Mr. Juan José Iribecampos Zubía

MEMBER (OTHER EXTERNAL DIRECTOR)

Mr. Pedro Abásolo Albóniga

MEMBER (PROPRIETARY DIRECTOR)

Mr. Francisco Esteve Romero

MEMBER (PROPRIETARY DIRECTOR)

Mr. Joaquín Gómez de Olea Mendaro

The members of the Board of Directors received remuneration in 2011, throughout the entire GROUP, amounting to 1,805,011 euros (1,717,011 euros in 2010). Likewise in 2011, in accordance with Company by-laws, contributions were made to pension schemes for two members of the Board of Directors for a joint amount of 584,000 euros (24,000 euros in 2010).

A.G.M.

The Ordinary General Meeting of the Company was held on 3 May and there has not been any extraordinary meeting.

At this Meeting the shareholders were able to fully exercise their political rights, given that:

- All shareholders have the right to attend the Annual General Meeting, regardless of the number of shares they own.
- Shareholders are entitled to one vote for each share owned.
- Agreements are adopted, in all cases, according to the majorities detailed in the Spanish Corporations Act.

Attendance figures for the last three years' AGMs are given below and reveal the high level of participation and the extent to which shareholders choose to exercise their rights, either by attending in person or by proxy:

2009	78.14 PERCENT
2010	71.42 PERCENT
2011	72.27 PERCENT

Monitoring of compliance with the Combined Code

The Board of Directors of TUBOS REUNIDOS has carried out continuous improvement in the Corporate Governance of the GROUP and can state that it complies, in general and to a high degree, with the Combined Code recommendations approved by the Board of the CNMV on 22 May 2006.

Internal Controls Over Financial Reporting (ICOFR)

In 2011 work was carried out on the development and implementation of the ICOFR in TUBOS REUNIDOS GROUP, according to the provisions of the Community directives and their transposition into Spanish legislation in the Account Auditing Act and the Sustainable Economy Act.

The 2011 ACGR responds satisfactorily to all the issues raised in the CNMV Draft Circular concerning the ICOFR.

The process will culminate in 2012 with the design and implementation of a software application that supports all the ICOFR in the GROUP, so that it is operational and enables the Auditing Committee to carry out its monitoring function with the necessary efficiency.

9 Corporate social responsibility

Corporate social responsibility

The essential purpose of TUBOS REUNIDOS GROUP, due to its very own trading nature, is the creation of wealth while complying with the existing regulations and ethics and, through this, the generation of employment and social wellbeing for the different interest groups directly affected by its activities and, insofar as is possible, for the social sector as a whole.

For this reason, the GROUP reiterates its commitment to integrate social, occupational and environmental criteria into its corporate management, seeking the creation of added value that affects the medium- and long-term improvement of the GROUP.

Safety and health at work

TUBOS REUNIDOS GROUP not only has the appropriate occupational hazard prevention systems and management resources in all its companies, but also takes an active part, together with public institutions, labour unions and employers' associations, in the design and development of projects that promote the implementation of a preventive culture so as to reduce occupational hazards and accidents in companies in the steel-making sector.

Environment

Respect for the environment and commitment to sustainable development are the foundations of the basic actions of TUBOS REUNIDOS GROUP, at both procedural and budgetary level. Together with the strictest fulfilment of environmental legislation, on this matter we must add the commitment that exists with the objectives endorsed in the Voluntary Agreement signed by the companies in the steel production sector and the Basque Government's Department of Regional Planning and the Environment. Among the different environmental protection activities promoted during 2011, we can highlight the following:

- Renewal, by both TUBOS REUNIDOS INDUSTRIAL and PRODUCTOS TUBULARES, of their ISO 14.001 environmental management certificates.
- Notification of 2011 CO₂ emission rights allowances, through the RENADE (National Emissions Rights Registry) account.
- In collaboration with UNESID, TUBOS REUNIDOS INDUSTRIAL has acted as a pilot company for the implementation of a model of environmental hazard analysis, as well as on defining the effects of the implementation of European laws for safe treatment of chemical waste (REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals) in steelmaker companies.

Quality

TUBOS REUNIDOS GROUP again made a great effort regarding quality issues throughout 2011 by optimising production processes and implementing continuous improvement.

In the same way, TUBOS REUNIDOS INDUSTRIAL obtained optimum results in the audits for the main quality certificates: ISO 9001, ISO/TS 16949 and API Q1. It also overcame the approval processes required by different customers without any difficulty.

On its part, PRODUCTOS TUBULARES renewed its API (American Petroleum Institute) Monogram licences, ISO 9001/2008 certification for the Quality Management System and its other main approval certificates: AD 2000 - Merrkblatt, Pressure Equipment Directive, IBR "Well Known Pipe Maker" and Det Norske Veritas. Moreover, the Company obtained the ASME certificate as a Material Organization (MO) to be able to supply tubes destined for nuclear applications.



Photograph: E. Moreno Esquibel



Cooperation activities

In its traditional manner, TUBOS REUNIDOS GROUP again had cooperation agreements with several local cultural institutions and centres in 2010, among which we can mention the Guggenheim Museum, Fundación Lealtad, ABAO, AECC and several sports clubs..

In education and training, for yet another year we can emphasise the cooperation with different universities and occupational training institutions, which again gave rise to cooperation agreements, grants and scholarships, work experience schemes and visits to the GROUP's production facilities.

GRUPO TUBOS REUNIDOS REITERATES ITS COMMITMENT TO INTEGRATE SOCIAL, OCCUPATIONAL AND ENVIRONMENTAL CRITERIA INTO ITS CORPORATE MANAGEMENT

TUBOS REUNIDOS GROUP**CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

ASSETS	2011	2010	2009	2008
NON-CURRENT ASSETS	346,467	335,053	384,202	348,294
PROPERTY, PLANT AND EQUIPMENT	301,234	295,195	324,702	309,324
OTHER INTANGIBLE ASSETS	5,765	3,287	4,933	3,854
INVESTMENT PROPERTY	459	471	7,993	8,607
NON-CURRENT FINANCIAL ASSETS	13,841	17,993	24,226	13,341
DEFERRED TAX ASSETS	25,168	18,107	22,348	13,168
CURRENT ASSETS	267,654	272,237	280,166	401,697
INVENTORIES	110,844	116,174	100,682	177,683
TRADE AND OTHER DEBTORS	93,120	83,556	74,753	165,302
CURRENT TAX ASSETS	-	-	2,630	6,685
CASH AND CURRENT FINANCIAL ASSETS	63,690	72,482	102,074	51,990
OTHER CURRENT ASSETS	-	25	27	37
DISPOSABLE GROUP ASSETS CLASSIFIED AS HELD FOR SALE	79,746	78,451	-	-
TOTAL ASSETS	693,867	685,741	664,368	749,991
LIABILITIES	2011	2010	2009	2008
NET EQUITY	238,326	211,872	227,731	239,845
SUBSCRIBED CAPITAL	17,468	17,468	17,468	17,468
RESERVES	207,254	185,470	202,006	214,239
MINORITY INTERESTS	13,604	8,934	8,257	8,138
DEFERRED INCOME	5,965	38,249	43,247	47,984
NON-CURRENT LIABILITIES	201,807	166,719	215,410	199,185
BANK LOANS	144,799	116,433	145,537	135,285
DEFERRED TAX LIABILITIES	17,646	17,918	23,121	23,118
PROVISIONS	26,742	16,031	19,453	20,664
OTHER NON-CURRENT LIABILITIES	12,620	16,337	27,299	20,118
CURRENT LIABILITIES	185,399	199,674	177,980	262,977
BANK LOANS	31,874	64,981	66,016	80,955
CURRENT TAX LIABILITIES	8,364	2,590	14,982	33,703
TRADE AND OTHER CREDITORS	145,161	132,103	96,982	148,319
DISPOSABLE GROUP LIABILITIES CLASSIFIED AS HELD FOR SALE	62,370	69,227	-	-
TOTAL LIABILITIES	693,867	685,741	664,368	749,991

INCOME STATEMENT

In thousands of euros (Debit) Credit

	2011	2010	2009	2008
NET TURNOVER	458,056	334,345	335,083	728,360
OTHER INCOME	6,854	15,146	13,421	10,024
CHANGES IN FINISHED PRODUCT AND WORK IN PROGRESS INVENTORIES	(4,610)	20,179	(44,328)	15,426
SUPPLIES	(216,611)	(171,477)	(108,877)	(369,197)
PERSONNEL EXPENDITURE	(98,911)	(85,838)	(92,906)	(118,514)
FIXED ASSET DEPRECIATION	(21,210)	(20,254)	(18,971)	(21,242)
OTHER EXPENSES	(84,180)	(73,078)	(65,462)	(114,133)
OTHER GAINS / (LOSSES) NET	(212)	(37)	(266)	1,167
OPERATING INCOME / EXPENSE	39,176	18,986	17,694	131,891
FINANCIAL INCOME	1,576	963	1,395	1,124
FINANCIAL EXPENSES	(9,500)	(5,508)	(7,371)	(14,574)
EXCHANGE DIFFERENCES AND OTHERS	374	(1,310)	1,046	(8,554)
SHARE OF PROFITS AND LOSSES OF ASSOCIATES	(25)	(31)	-	13
FINANCIAL PROFIT / (LOSS)	(7,575)	(5,886)	(4,930)	(21,991)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	31,601	13,100	12,764	109,900
INCOME TAX EXPENSE	(6,426)	1,432	(691)	(28,104)
PROFIT FOR THE YEAR AFTER TAX FROM CONTINUING OPERATIONS	25,175	14,532	12,073	81,796
INCOME FOR THE YEAR FROM DISCONTINUED OPERATIONS	(341)	(27,855)	(10,581)	-
PROFIT / (LOSS) FOR THE YEAR	24,834	(13,323)	1,492	81,796
MINORITY INTERESTS	(399)	(860)	(433)	50
NET PROFIT OF THE PARENT COMPANY	24,435	(14,183)	1,059	81,846





11 Board of Directors and executive personnel

BOARD OF DIRECTORS

PRESIDENT

Mr. Pedro Abásolo Albóniga *

VICE-PRESIDENT

Mr. Emilio Ybarra Aznar *

MANAGING DIRECTOR

Mr. L. Fernando Noguera de Erquiaga *

BOARD MEMBERS

Mr. Alberto Delclaux de la Sota

Mr. Francisco Esteve Romero *

Mr. Joaquín Gómez de Olea Mendaro

Mr. Juan José Iribecampos Zubía

Mr. Luis Alberto Mañas Antón *

Mr. Enrique Portocarrero Zorrilla de Lequerica *

Mr. Roberto Velasco Barroetabeña

Ms. Leticia Zorrilla de Lequerica Puig

SECRETARY NON-MEMBER OF THE BOARD

Mr. Jorge Gabiola Mendieta

*Member of the Executive Committee.

EXECUTIVE PERSONNEL

TUBOS REUNIDOS GROUP

MANAGING DIRECTOR

Mr. L. Fernando Noguera de Erquiaga

GENERAL MANAGER FOR PLANNING, CONTROL AND FINANCIAL MANAGEMENT

Mr. Luis Pomposo Gaztelu

MANAGER FOR INNOVATION AND INSTITUTIONAL RELATIONS

Mr. Eduardo Gorostiza Fernández de Villaran

MANAGER FOR STRATEGIC PLANNING AND INVESTOR RELATIONS

Mr. Diego Otero Moyano

TUBOS REUNIDOS INDUSTRIAL

GENERAL MANAGER

Mr. Enrique Arriola Alcibar

PRODUCTOS TUBULARES

GENERAL MANAGER

Mr. Iñaki Pereda Gómez

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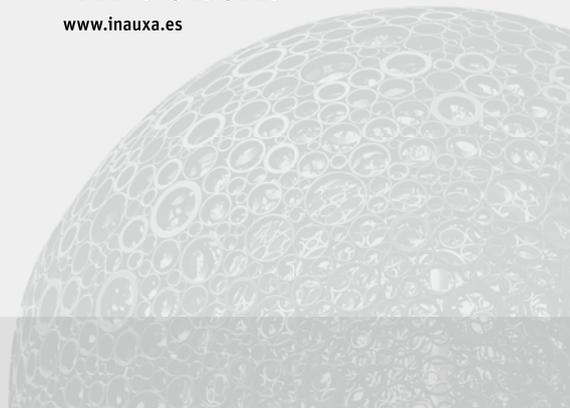
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