

TUBACEX



Annual Report on Corporate Governance 2008

(In accordance with the model foreseen by Circular 4/2007, of 27 December, of the Spanish National Stock Market Commission)

STANDARD ANNUAL REPORT ON THE CORPORATE GOVERNANCE OF PUBLICLY TRADED COMPANIES

This Annual Corporate Governance Report forms part of the Management Report

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document which this translation is intended to reflect, the text of the original Spanish-language document shall prevail.

A - OWNERSHIP STRUCTURE

A.1 Complete the following table about the share capital of the company:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
25/05/2001	59,840,451.90	132,978,782	132,978,782

State whether there are different classes of shares with different rights attaching thereto:

NO

A.2 Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the fiscal year, excluding directors:

Individual or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
BAGOETA, S.L.	0	24,052,798	18.088
CARTERA INDUSTRIAL REA, S.A.	6,648,940	0	5.000
GRUPO CORPORATIVO EMPRESARIAL DE LA CAJA DE AHORROS Y M. PIEDAD DE NAVARRA	6,648,950	0	5.000
ZOCO INVERSIONES, S.R.L.	4,039,564	0	3.038
HERMES EQUITY OWNERSHIP SERVICES LIMITED	3,997,306	0	3.006

Individual or corporate name of indirect holder of the interest	Through: Individual or corporate name of direct holder of the interest	Number of direct voting rights	% of total voting rights
BAGOETA, S.L.	LARREDER, S.L.	23,962,798	18.020
BT PENSION SCHEME TRUSTEES LIMITED	HERMES EQUITY OWNERSHIP SERVICES LIMITED	3,997,306	3.006

Indicate the most significant changes in the shareholding structure that have occurred during the fiscal year:

Individual or corporate name of shareholder	Date of transaction	Description of transaction
BT PENSION SCHEME TRUSTEES LIMITED	26/09/2008	Has exceeded 3% of share capital
CARTERA INDUSTRIAL REA, S.A.	13/11/2008	Has exceeded 5% of share capital

A.3 Complete the following tables about members of the Board of Directors of the Company who have voting rights attaching to shares of the Company:

Individual or corporate name of director	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
MR. ALVARO VIDEGAIN MURO	88,800	9,400	0.074
MR. ALEJANDRO ECHEVARRIA BUSQUET	6,925	0	0.005
ATALAYA INVERSIONES, S.R.L.	6,653,503	0	5.003
MR. GERARDO AROSTEGUI GOMEZ	0	43,000	0.032
MR. JOSE ANTONIO ARDANZA GARRO	40,000	0	0.030
MR. LUIS MARIA URIBARREN AXPE	0	637,500	0.479
MR. PEDRO LUIS URIARTE SANTAMARINA	133,331	0	0.100

Individual or corporate name of indirect holder of the interest	Through: Individual or corporate name of direct holder of the interest	Number of direct voting rights	% of total voting rights
MR. ALVARO VIDEGAIN MURO	MR. ALVARO VIDEGAIN MURO	9,400	0.007
MR. LUIS MARIA URIBARREN AXPE	INVERSIONES LUME S.L.	637,500	0.479
MR. GERARDO AROSTEGUI GOMEZ	MR. GERARDO AROSTEGUI GOMEZ	43,000	0.032
Total percentage of voting rights held by the board of directors			5.725

Complete the following tables about members of the Company's board of directors who hold rights to shares of the Company:

A.4 Describe, if applicable, the family, commercial, contractual or corporate relationships between significant shareholders, to the extent known to the Company, unless they are immaterial or result from the ordinary course of business:

A.5 Describe, if applicable, the commercial, contractual or corporate relationships between significant shareholders and the Company and/or its group, unless they are immaterial or result from the ordinary course of business:

A.6 Indicate whether any corporate (shareholders') agreements affecting the Company pursuant to the provisions of Section 112 of the Securities Market Law [Ley del Mercado de Valores – LMV] have been reported to the Company. If so, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the Company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

NO

Expressly indicate whether any of such agreements, arrangements or concerted actions have been modified or terminated during the fiscal year.

A.7 Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company pursuant to Section 4 of the Securities Market Law. If so, identify it:

NO

A.8 Complete the following tables about the Company's treasury stock:

As of year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
3,142,975	0	2.364

(*) Through:

Total	0
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Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, that have occurred during the fiscal year:

Date of notice	Total direct shares acquired	Total indirect shares acquired	Total % of share capital
29/09/2008	930,171	0	0.700

Gains/(Losses) on the Company's treasury stock transferred during the period (thousands euros)	0
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A.9 Describe the terms and conditions and the duration of the powers currently in force given by the shareholders acting at the General Shareholders' Meetings to the Board of Directors in order to acquire or transfer Company stock:

At the AGM of Shareholders, which was held on 22 May 2008, at the second call for meeting, the Board of Directors was given authorisation for the derivative acquisition of treasury stock during the maximum timeframe of eighteen months, nullifying any unimplemented part of what was agreed at the AGM held on 24 May 2007.

In accordance with the Joint Stock Company Act, any acquisition of treasury stock shall be carried out within the following restrictions:

1.- That the total number of shares bought by the company and its subsidiary companies shall not exceed 5% of the share capital of TUBACEX, S.A.

2.- That it is possible to put an unavailable reserve in the liabilities that is equivalent to the amount of shares bought.

Shares should be bought at the listing price of the day on which the respective shares are bought, or if the share has not been listed on this date, at the listing price of the last day prior to which it has been negotiated on the stock exchange.

Likewise, the Board of Directors is authorised to dispose of the company's treasury stock at the listing price, as is stated in the above paragraph.

A.10 Indicate, if applicable, any legal or bylaw restrictions on the exercise of voting rights, and any legal restrictions on the acquisition or transfer of interests in share capital.

NO

Maximum percentage of voting rights that a shareholder may exercise due to legal restriction	0
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Indicate whether there are bylaw restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that a shareholder may exercise due to bylaw restrictions	0
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Indicate if there are legal restrictions on the acquisition or transfer of interests in the share capital:

NO

A.11 Indicate whether the shareholders acting at a General Shareholders' Meeting have approved the adoption of breakthrough measures in the event of a public tender offer pursuant to the provisions of Law 6/2007:

NO

If applicable, describe the approved measures and the terms on which the restrictions will become ineffective.

B - STRUCTURE OF THE COMPANY'S MANAGEMENT

B.1 Board of Directors

B.1.1 Describe the maximum and minimum number of Directors set forth in the bylaws:

Maximum number of directors	12
Minimum number of directors	5

B.1.2 Complete the following table identifying the members of the Board of Directors:

Individual or corporate name of directors	Representative	Position	Date first appointment	Date last appointment	Election procedure
MR. ALVARO VIDEAIN MURO	--	PRESIDENT - CEO	15/07/1992	24/05/2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JUAN ANTONIO GARTEIZGOGEASCOA IGUAIN	--	VICEPRESIDENT	21/09/1994	19/05/2004	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. ALEJANDRO ECHEVARRIA BUSQUET	--	BOARD MEMBER	25/05/1999	19/05/2004	VOTE AT GENERAL SHAREHOLDERS' MEETING
ATALAYA INVERSIONES, S.R.L.	MR. GORKA BARRONDO AGUDÍN	BOARD MEMBER	24/05/2007	24/05/2007	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. GERARDO AROSTEGUI GOMEZ	--	BOARD MEMBER	25/06/1991	25/05/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JOSE ANTONIO ARDANZA GARRO	--	BOARD MEMBER	25/05/1999	19/05/2004	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JUAN JOSE IRIBECAMPOS ZUBIA	--	BOARD MEMBER	22/05/2008	22/05/2008	VOTE AT GENERAL SHAREHOLDERS' MEETING

Individual or corporate name of directors	Representative	Position	Date first appointment	Date last appointment	Election procedure
MR. JUAN RAMON GUEVARA SALETA	--	BOARD MEMBER	21/09/1994	19/05/2004	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. LUIS MARIA URRIBARREN AXPE	--	BOARD MEMBER	25/05/2006	25/05/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. MANUEL GUASCH MOLINS	--	BOARD MEMBER	15/03/1977	25/05/2006	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. PEDRO LUIS URIARTE SANTAMARINA	--	BOARD MEMBER	19/05/2004	19/05/2004	VOTE AT GENERAL SHAREHOLDERS' MEETING

Total number of directors	11
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Indicate vacancies on the Board of Directors during the period:

B.1.3 Complete the following tables about the members of the Board and each member's status:

EXECUTIVE DIRECTORS

Individual or corporate name of directors	Committee that has proposed the director's appointment	Position within the Company's structure
MR. ALVARO VIDEGAIN MURO	SHAREHOLDERS' MEETING 15-7-1992	CHAIRMAN-CEO

Total number of executive directors	1
Total % of Board of Directors	9.091

EXTERNAL PROPRIETARY DIRECTORS

Individual or corporate name of directors	Committee that has proposed the director's appointment	Individual or corporate name of the significant shareholder represented by the director or that has proposed the director's appointment
ATALAYA INVERSIONES, S.R.L.	APPOINTMENTS AND REMUNERATIONS COMMITTEE	ATALAYA INVERSIONES, S.R.L.
MR. JUAN JOSE IRIBECAMPOS ZUBIA	APPOINTMENTS AND REMUNERATIONS COMMITTEE	BAGOETA, S.L.
MR. LUIS MARIA URRIBARREN AXPE	APPOINTMENTS AND REMUNERATIONS COMMITTEE	BAGOETA, S.L.

Total number of proprietary directors	3
Total % of Board of Directors	27.273

EXTERNAL INDEPENDENT DIRECTORS

Individual or corporate name of director

MR. JUAN ANTONIO GARTEIZGOGUEASCOA IGUAIN

Profile

A graduate in Economics (UPV). He holds a Master's in Quantitative Management (from the San Sebastián Higher Business School) and a Master's in Tax Consultancy (from the Madrid Business Institute). He has worked at Helisold S.A. and TALDE S.A., a venture capital company, and has been a board member of a number of the investee companies in this Group. In 1987 he founded FORETAX S.A., a company providing tax planning and consultancy, of which he is the main partner. He lectures on the Tax Consultancy Master's course at the University of Deusto. In 2005 he was appointed Vice President of the Board of Directors of TUBACEX. He has been a director of TUBACEX since 1994.

Individual or corporate name of director

MR. ALEJANDRO ECHEVARRIA BUSQUET

Profile

A graduate in Business Studies (ESTE). Most of his professional career has involved the management of media companies. He was CEO of the Grupo Correo (nowadays Vocento) and sits on the Board of Directors of several of its subsidiaries: "El Correo", "El Diario Vasco" and "El Diario Montañés". He has been Chairman of the Association of Spanish Newspaper Publishers (AEDE), is Chairman of Telecinco and of the Commercial Television Union (UTECA) and a member of the Board of Directors of other listed companies. He has been a director of TUBACEX since 1999.

Individual or corporate name of director

MR. GERARDO AROSTEGUI GOMEZ

Profile

A graduate in Business Management and Economics (University of Deusto). He commenced his professional career at TUBACEX S.A., where he held a number of posts until promoted to Assistant General Manager. He has been Assistant General Manager of the BBV bank. In 1985 he joined Plus Ultra as Board Member / General Manager and became Executive Chairman of the company in 1990. He has been Executive Chairman of Aviva Grupo Corporativo and Aviva Vida y Pensiones, and Chairman of Aseval, Bia Galicia, Unicorp Vida, Caja España Vida and General Vida. He was also a member of the Advisory Board of the Directorate-General for Insurance and Pension Funds and a Board Member of the Insurance Clearing Consortium, of Nacional de Reaseguros and of UNESPA. He has been a director of TUBACEX since 1991.

Individual or corporate name of director

MR. JOSE ANTONIO ARDANZA GARRO

Profile

A graduate in law (University of Deusto). He commenced his professional career as Director of the Legal Consultancy Section at the Caja Laboral Popular savings bank. In 1979 he was elected Mayor of Mondragón, and in 1983 he was appointed Prime Minister of the Territory by the Regional Government of Gipuzkoa province. In January 1985 he was appointed Lehendakari (President) of the Basque Government, and held this post through successive elections until January 1999. He has taken up his professional activity once more, and is now Chairman of Euskaltel S.A. He has been a member of the board at TUBACEX since 1999.

Individual or corporate name of director

MR. JUAN RAMON GUEVARA SALETA

Profile

Lawyer. From 1985 to 1991 he was the Basque Government Minister for the Presidency, Justice and Autonomous Development. During this period he also held the positions of Representative of the Basque Autonomous Community in the Conference of Local and Regional Authorities of the Council of Europe, a member of the Standing Committee and the Bureau of the Assembly of European Regions and Joint President of the Euskadi-Aquitaine Interregional Cooperation Committee. He left politics in 1991 and returned to his law practice. He is an honorary member of the International Institute for the Sociology of Law in Oñati and of the Basque Institute of Criminology. He has been a director of TUBACEX since 1994.

Individual or corporate name of director

MR. MANUEL GUASCH MOLINS

Profile

A graduate in law (University of Valladolid) and in Business Studies and Economics (Faculty of Economics and Business Administration, University of Deusto). Commercial Technician and State Economist. He has worked in a number of public administration posts, and was appointed the Under-secretary for Trade. In the business sector, he has chaired the Board of Directors at FASA Renault S.A., and Azucarera Ebro Agrícolas S.A. He is currently Chairman of Alimentos Naturales S.A., Renault Vehículos Industriales S.A. and Renault Trucks S.A. and a member of the Board of Renault España S.A. He has held a number of teaching-related posts in both Spain and abroad. He has been a member of the board at TUBACEX since 1977.

Individual or corporate name of director

MR. PEDRO LUIS URIARTE SANTAMARINA

Profile

A graduate in Law and in Business Management and Economics (University of Deusto). He started his career in General Electric and then moved to Crown Cork Company. He was appointed CEO of BBV in 1994 and in 1999 became CEO and Vice-president of the Board of Directors of BBVA. He has also been Vice-president of Telefónica S.A. and is currently Chairman of Innobasque-Basque Innovation Agency and Economía, Empresa, Estrategia, a strategic consultancy company that he created. He is a member of the Governing Board of the University of Deusto and of the Executive Committee of Deusto Business School, sits on the board of several companies and cooperates with several social and business initiatives. He has been a director of TUBACEX since 2004.

Total number of independent directors	7
Total % of Board of Directors	63.636

OTHER EXTERNAL DIRECTORS

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management or its shareholders.

Indicate the changes, if any, in the type of director during the period:

B.1.4 Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied.

NO

B.1.5 State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

NO

B.1.6 Indicate the powers delegated to the CEO(s), if any:

Individual or corporate name of director

MR. ALVARO VIDEGAIN MURO

Brief description

Holds all powers of proxy and administration in keeping with the characteristics and needs of his post as President and CEO of the Company.

B.1.7 Identify the directors who are managers or directors of companies within the listed company's group, if any:

Individual or corporate name of director	Corporate name of entity within the group	Position
MR. ALVARO VIDEGAIN MURO	ACERIA DE ALAVA. S.A.	CHAIRMAN-CEO
MR. ALVARO VIDEGAIN MURO	COMERCIAL DE TUBOS Y ACCESORIOS ESPECIALES, S.A.	CHAIRMAN-CEO

Individual or corporate name of director	Corporate name of entity within the group	Position
MR. ALVARO VIDEGAIN MURO	METAUX INOX SERVICES, SAS	CHAIRMAN
MR. ALVARO VIDEGAIN MURO	SALEM TUBE, INC	CHAIRMAN
MR. ALVARO VIDEGAIN MURO	SCHOELLER BLECKMANN EDELSTAHLROHR, GmbH	CHAIRMAN
MR. ALVARO VIDEGAIN MURO	TUBACEX TAYLOR ACCESORIOS, S.A.	CHAIRMAN-CEO
MR. ALVARO VIDEGAIN MURO	TUBACEX TUBOS INOXIDABLES, S.A.	CHAIRMAN-CEO
MR. ALVARO VIDEGAIN MURO	TUBOS MECANICOS, S.A.	CHAIRMAN
MR. ALVARO VIDEGAIN MURO	TUBOS MECÁNICOS NORTE, S.A.	CHAIRMAN
MR. JUAN ANTONIO GARTEIZGOGEASCOA IGUAIN	TUBACEX TUBOS INOXIDABLES, S.A.	BOARD MEMBER

B.1.8 Identify the directors of your company, if any, who are members of the Board of Directors of other companies listed on official stock exchanges in Spain other than those of your Group, that have been reported to your company:

Individual or corporate name of director	Listed company	Position
MR. ALVARO VIDEGAIN MURO	IBEDROLA RENOVABLES, S.A.	BOARD MEMBER
MR. ALEJANDRO ECHEVARRIA BUSQUET	C.V.N.E., S.A.	BOARD MEMBER
MR. ALEJANDRO ECHEVARRIA BUSQUET	ACCIONA, S.A.	BOARD MEMBER
MR. ALEJANDRO ECHEVARRIA BUSQUET	GESTEVISION TELECINCO, S.A.	CHAIRMAN
MR. JUAN JOSE IRIBECAMPOS ZUBIA	TUBOS REUNIDOS, S.A.	BOARD MEMBER
MR. LUIS MARIA URIBARREN AXPE	TUBOS REUNIDOS, S.A.	BOARD MEMBER

B.1.9 Indicate and, if applicable, explain whether the Company has established rules regarding the number of boards of which its directors may be members:

YES

Description of rules

As stipulated in Article 28 of the Code of Conduct for the Board of Directors, in order to guarantee the dedication of board members, the Code of Conduct for the Board of Directors establishes that they can only belong to a maximum of five boards, and must request permission from the Appointments and Remunerations Committee to be able to exceed this limitation. For this purpose, the Boards of Directors of Group subsidiary companies or similarly operating structures will not be counted.

B.1.10 In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies reserved for approval by the full Board:

The investment and financing policy	YES
The definition of the structure of the group of companies	YES
The corporate governance policy	YES
The corporate social responsibility policy	YES
The strategic or business plan, as well as management objectives and annual budgets	YES
The policy regarding compensation and evaluation of performance of senior management	YES
The risk control and management policy, as well as the periodic monitoring of the internal information and control systems	YES
The dividend policy, as well the treasury stock policy and, especially, the limits thereto	YES

B.1.11 Complete the following tables regarding the aggregate compensation of Directors accrued during the fiscal year:

a) At the Company covered by this report:

Compensation item	Data in thousands of euros
Fixed compensation	0
Variable compensation	504
Daily fees	296
Token payments	0
Share options and/or other financial instruments	0
Other	0

Total	800
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Other benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations incurred	0
Life insurance premiums	0
Guarantees given by the company for the benefit of directors	0

b) On account of membership by the Company's directors on other boards of directors and/or in the senior management of Group companies:

Compensation item	Data in thousands of euros
Fixed compensation	0
Variable compensation	92
Daily fees	0
Token payments	0
Share options and/or other financial instruments	0
Others	0

Total	92
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Other benefits	Data in thousands of euros
Advances	0
Loans granted	0

Other benefits	Data in thousands of euros
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations incurred	0
Life insurance premiums	0
Guarantees given by the company for the benefit of directors	0

c) Total compensation by type of director:

Type of director	Per company	Per group
Executive	79	84
External Proprietary	170	0
External Independent	551	8
Other External	0	0
Total	800	92

d) As a percentage of the profits attributable to the parent company:

Total compensation of directors (in thousands of Euros)	891
Total compensation of directors / profits attributable to the controlling company (as a %)	1.3

B.1.12 Identify the members of the Company's senior management who are not executive directors and state the total compensation accruing to them during the fiscal year:

Individual or corporate name	Position
MR. MANUEL FERNANDEZ	VICE-PRESIDENT FOR SALES AND MARKETING
MR. GONZALO GOMEZ	GENERAL MANAGER OF TUBOS MECÁNICOS S.A.
MR. PEDRO CARBAJO	PURCHASING AND PROCUREMENT MANAGER - GENERAL MANAGER OF COTUBES S.A.

Individual or corporate name	Position
MR. TOMAS GASTON	PRODUCTION MANAGER OF ACERÁLAVA AND TTI
MR. FRANCISCO JAVIER ROBLES	CHIEF FINANCIAL OFFICER
MR. RAMON CANIVELL	IT SYSTEMS MANAGER
MR. ANTON AZLOR	CHAIRMAN'S ASSISTANT AND HUMAN RESOURCES MANAGER
MR. RUFINO ORCE	GENERAL MANAGER OF SALEM TUBE INC.
MR. JOSE CARLOS VILLAESCUSA	GENERAL MANAGER OF TUBACEX TAYLOR ACCESORIOS S.A.
MR. GUILLERMO RUIZ-LONGARTE	CHIEF OPERATIONS OFFICER
MR. ERICH HERTNER	VICE-PRESIDENT FOR PRODUCTION AND GENERAL MANAGER OF SBER
MR. PAUL DEGENFELD	GENERAL MANAGER OF SBER / COMMERCIAL MANAGER EUROPE

Total senior management compensation (in thousands of Euros)	3,011
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B.1.13 Identify, on an aggregate basis, if there are indemnity or "golden parachute" provisions for the benefit of senior management, including executive directors, of the Company or its Group in the event of dismissals or changes of control. Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the Company or its Group:

Number of beneficiaries	0
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	Board of Directors	Shareholders (at the General Shareholders' Meeting)
Decision-making body approving the provisions	NO	NO

Is information about these provisions provided to the shareholders at the General Shareholders' Meeting?	NO
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B.1.14 Describe the process to set the compensation of the members of the Board of Directors and the relevant provisions of the bylaws with regard thereto.

Process to set the compensation of the members of the Board of Directors and bylaw provisions
<p>With regard to remuneration for members of the Board of Directors, Article 23 of the corporate bylaws of Tubacex S.A. states as follows: remuneration for the Board of Directors is set at four per cent (4%) of the consolidated profits of the Tubacex, S.A. group, provided that the requirements of the legal reserve and, if applicable, the statutory reserve, are covered by all the companies integrated into the group, and after allocating a dividend of four per cent (4%) to the shareholders of Tubacex, S.A., charged to profits from the year, to reserves or to issue premium. The Board of Directors itself will determine how remuneration is distributed among its members. The Board will be able to determine amounts to be paid, as allowances or expenses for attending sessions which are held, during the course of the corporate year.</p>

State whether the full Board has reserved the right to approve the following decisions:

At the proposal of the Company's chief executive, the appointment and, if applicable, the removal of senior managers, as well as their indemnity provisions	YES
The compensation of directors and, in the case of executive directors, the additional compensation for their executive duties and other terms and conditions that must be included in their contracts	YES

B.1.15 State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:

YES

Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom	YES
Variable compensation items	YES
Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost	NO
Terms and conditions that must be included in the contracts with executive directors performing senior management duties	YES

B.1.16 State whether the Board submits a separate report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting for consultative purposes. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Remunerations Committee and, if external advice has been used, state the name of the external advisors that have given such advice:

YES

Issues that the compensation policy report passes upon

The remuneration policy for the Board of Directors comments on all the items, both fixed and variable, that remuneration for its members consists of.

Role of the Appointments and Remunerations Committee

The Appointments and Remunerations Committee proposes the remuneration policy for corresponding approval by the Board of Directors.

Has external advice been provided?

NO

Name of external advisors

B.1.17 Indicate the identity of the members of the Board of Directors, if any, who are also members of the board of directors, managers or employees of companies that hold a significant interest in the listed company and/or in companies within its Group:

Individual or corporate name of director	Individual or corporate name of significant shareholder	Position
MR. JUAN JOSE IRIBECAMPOS ZUBIA	BAGOETA, S.L.	CHAIRMAN
MR. LUIS MARIA URIBARREN AXPE	BAGOETA, S.L.	CEO

Describe, if applicable, any significant relationships other than the ones contemplated in the prior item, of the members of the Board of Directors linking them to significant shareholders and/or at companies within the Group:

B.1.18 State whether the Regulations of the Board of Directors have been amended during the fiscal year:

NO

B.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of Directors. List the competent bodies, the procedures to be followed and the criteria applied in each of such procedures.

Appointment of board members

Board members shall be appointed directly by the AGM or by proposal from the Board of Directors in accordance with the provisions stipulated in the Joint Stock Company Act. Appointment proposals should be preceded by the corresponding proposal from the Appointments and Remunerations Committee.

The Board of Directors and the Appointments and Remunerations Committee, within the remit of their authority, shall endeavour to ensure that candidates are persons of trustworthiness, ability and experience, making sure that the procedure for appointing independent board members is highly rigorous.

The Board will try to ensure that independent Board members account for at least sixty percent of its total members at all times, thereby ratifying the Company's historical policy of having a professional and mostly independent Board.

The Board of Directors may not propose or appoint persons to the post of independent board member who have any relationship with the company's management or who are found to have family, professional or commercial links to the executive directors or to other members of the company's top management.

In particular, the following persons may not be proposed or appointed as independent board members: persons who hold or have held executive posts in the Company in the last two years; persons who are or have been partners in the external auditor of the Company or any Group company in the last three years; family members of anyone who is or has been an executive director or top manager in the Company in the last two years; persons who have or have had an important business relationship with the Company on his/her own behalf or through a company in which he/she has a significant stake in the last year; persons, who directly or indirectly, through companies in which they have a significant stake, have made donations to or have received payments from the Company in the last three years that might compromise their independence; persons who have other relationships with the Company that, in the opinion of the Appointments and Remunerations Committee, could affect their independence; persons who have not been proposed for appointment or renewal by the Appointments and Remunerations Committee.

Reappointment of Board members

Proposals for the reappointment of Board members that the Board of Directors decides to submit to the AGM are subject to a formal process. A report issued by the Appointments and Remunerations Committee will be an essential part of this process and will evaluate the quality of work and commitment to the post of the Board members proposed during the previous term of office.

The Board of Directors shall try to organise the work in a way that the external Board members who are reappointed are not always assigned to the same committee.

Term of office

Board members shall carry out their duties for a maximum period of six years and can be reappointed. A person can not be appointed to the Board if aged 65 or over at the time of proposal.

Board members designated for co-option shall carry out their duties until the date of the first AGM that ratifies their appointment.

Board members who come to the end of their term of office or for whatever other reason finish in their post, shall not be able to work for any other entity whose corporate purpose is similar to that of the Company's for a period of two years.

The Board of Directors, if it considers appropriate, can exempt the outgoing member from this obligation or shorten its length of application.

Appraisal of board members

Since 1999 the Board of Directors has been carrying out periodical annual assessments of the President and since 2002 it has been performing self-assessment of its own performance. In the same way, in 2007 assessment of the activities carried out by the different Board committees was carried out for the first time.

The aspects which have been assessed in the case of the Chairman of the Board have included business-related factors (strategy, organisation structure, executive management, management control, succession planning and market dynamics) as well as other factors such as the appropriate conducting of Board meetings, relations with shareholders and the financial community in general and factors concerning ethics and good governance.

With regard to the Board as a whole, the aspects subject to assessment included matters concerning shareholders, the Board and its committees, society and the social environment, the management team, employees and the market in general.

This assessment and reflection process is enabling improvements to be obtained not only in the management of the Chairman of the Board but also in that of the Board as a whole, focusing on the most outstanding aspects at any given time.

The objective of at least one of the board meetings must be to assess the work of the Chairman and the way in which the Board itself operates. These assessment sessions concerning financial year 2008 took place in March and April, respectively.

End of term of office

Board members shall finish in the post when the period for which they were appointed has lapsed and when the AGM or the Board of Directors decides to terminate the post, exercising the powers that are legally or statutorily conferred to them. Appointments of Board members will terminate when, after the term has expired, the next AGM has been held or the legal period for holding the AGM that should decide about approval of the previous year's accounts has lapsed.

Board members should offer their resignations to the Board of Directors and should formalise, if the Board deems it appropriate, their corresponding resignation in the following cases:

- a) When the term of office concludes after having reached 65 years of age.
- b) When the executive posts to which their appointments were associated finish.
- c) When they are found to be involved in any of the incompatible or banned situations previously mentioned.
- d) When they are prosecuted for a supposedly criminal event or when the supervising authorities decide that they are responsible for a serious or very serious mistake.
- e) When the Audit and Compliance Committee seriously caution them for having broken their obligations as Board members.
- f) When their presence on the Board might jeopardise the interests of the company or when the reasons for which they were appointed disappear.

B.1.20 Indicate the circumstances under which the resignation of Directors is mandatory.

Board members should offer their resignations to the Board of Directors and should formalise, if the Board deems it appropriate, their corresponding resignation in the following cases:

When the term of office concludes after having reached 65 years of age.

When the executive posts to which their appointments were associated finish.

When they are found to be involved in any of the incompatible or banned situations previously mentioned.

When they are prosecuted for a supposedly criminal event or when the supervising authorities decide that they are responsible for a serious or very serious mistake.

When the Audit and Compliance Committee seriously caution them for having broken their obligations as Board members.

When their presence on the Board might jeopardise the interests of the company or when the reasons for which they were appointed disappear.

B.1.21 Explain whether the powers of the top executive of the Company are vested in the Chairman of the Board. If so, indicate the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

YES

Risk mitigation measures
Appointment, in 2005, of Mr. Juan Garteizgogeoasca Iguain, independent member of the Board, as Vice President.

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors.

YES

Description of the rules
The duty of the Vice President is to replace the Chairman in case of absence or illness. The Vice President must be designated from among the independent Board members and will be authorised to request any information, as well as to call the Board of Directors so as to hold meetings.

B.1.22 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

NO

Describe the method used by the Board of Directors to adopt resolutions, including at least the minimum quorum required to hold a valid meeting and the majorities required to adopt resolutions:

Description of resolution:

Every resolution to be adopted by the Board of Directors.

Quorum	%
The board will be valid in its makeup when at least half of the members plus one other member attend the meetings themselves or are represented.	51.00

Type of majority	%
Agreements shall be adopted by majority vote.	51.00

B.1.23 Explain whether there are specific requirements, other than the requirements relating to Directors, to be appointed Chairman.

NO

B.1.24 Does the Chairman have a tie-breaking vote?

YES

Matters on which a tie-breaking vote may be cast
If there is a tie, the Chairman's vote shall be the casting vote.

B.1.25 Indicate whether the bylaws or the Regulations of the Board of Directors set forth any age limit for directors:

YES

Age limit for the Chairman	Age limit for the CEO	Age limit for Directors
65	65	65

B.1.26 Indicate whether the bylaws or the Regulations of the Board of Directors establish any limit on the term of office for independent directors:

NO

Limit on the term of office	0
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B.1.27 If the number of women directors is scant or nil, describe the reasons therefor as well as the initiatives adopted to correct such situation.

Description of reasons and initiatives
<p>The Board of Directors of Tubacex is a professional and mostly independent body. Election of members to the Board does not attend to any other criteria than professional career and background and the added value they might contribute to the management of the Company.</p> <p>Therefore, the fact that there are currently no female Board members does not respond to any particular bias.</p>

In particular, indicate whether the Appointments and Remunerations Committee has established procedures to ensure that selection processes are free from any implied bias hindering the selection of women directors, and deliberately searches for women candidates that meet the required profile:

YES

Describe the main procedures
The Appointments and Remunerations Committee was expressly entrusted with the duty of ensuring that selection procedures do not hinder gender diversity and trying to include potential female candidates who meet the required professional profile in each case, as stated in Article 16 of the Code of Conduct for the Board of Directors.

B.1.28 Indicate whether there are formal procedures for proxy-voting at meetings of the Board of Directors. If so, briefly describe them.

There is no formal procedure for delegating votes.

B.1.29 Indicate the number of meetings that the Board of Directors has held during the fiscal year. In addition, specify the number of meetings, if any, at which the Chairman was not in attendance:

Number of meetings of the Board	10
Number of meetings of the Board at which the Chairman was not in attendance	0

Indicate the number of meetings held by the different committees of the Board of Directors during the fiscal year:

Number of meetings of the Executive Committee	0
Number of meetings of the Audit and Compliance Committee	4
Number of meetings of the Appointments and Remunerations Committee	3
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

B.1.30 Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:

Number of absences of directors during the fiscal year	4
% of absences over total votes during the fiscal year	3.800

B.1.31 Indicate whether the annual individual financial statements and the annual consolidated financial statements that are submitted to the Board of Directors for approval have been previously certified:

NO

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated financial statements of the Company for preparation by the board:

B.1.32 Explain the mechanisms, if any, adopted by the Board of Directors to avoid any qualifications in the audit report on the annual individual and consolidated financial statements prepared by the Board of Directors and submitted to the General Shareholders' Meeting.

Without affecting the other tasks assigned by the board, the Audit and Compliance Committee has the following basic responsibilities:

- a) Review the company's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, as well as report on proposals for the modification of accounting principles and criteria suggested by management.
- b) Act as a communication channel between the Board of Directors and the auditors; assess the results of each audit and the management team's response to the recommendations. If discrepancies arise, mediate between the auditors and the management team in relation to the principles and criteria applicable in the preparation of financial statements.
- c) Supervise compliance of the audit contract and ensure that opinions on the annual accounts and the main points of the audit report are written clearly and precisely.

B.1.33 Is the Secretary of the Board of Directors a Director?

NO

B.1.34 Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Appointments Committee and approved by the full Board.

Procedure for appointment and removal

The Board of Directors will appoint a secretary, who does not necessarily need to be a Board member. Both the appointment and the dismissal of the Secretary must be notified by the Appointments and Remunerations Committee and approved in a plenary session by the Board. The secretary shall assist the Chairman in his/her work and shall ensure that the board operates effectively, taking charge in particular of providing the Board members with advice and necessary information, looking after company documents, reflecting the development of the sessions correctly in the minutes and witnessing the board's agreements (Article 12 of the Regulations of the Board).

Does the Appointments Committee report on the appointment?	YES
Does the Appointments Committee report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the secretary of the Board especially responsible for ensuring compliance with good governance recommendations?

YES

B.1.35 Indicate the mechanisms, if any, used by the Company to preserve the independence of the auditors, the financial analysts, the investment banks and the rating agencies.

Articles 15.4 and 41 of the Code of Conduct for the Board of Directors contemplate the grounds for action in this sense, both of the Audit and Compliance Committee and of the Board of Directors itself, aimed at preserving the independence of the auditor and transparency in relations with analysts and financial institutions.

B.1.36 Indicate whether the Company has changed the external auditor during the fiscal year. If so, identify the incoming and the outgoing auditor:

NO

If there has been any disagreement with the outgoing auditor, describe the content thereof:

NO

B.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its Group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the Company and/or its Group.

NO

	Company	Group	Total
Amount of other non-audit work (thousands of Euros)	0	0	0
Amount of non-audit work / Aggregate amount invoiced by the audit firm (%)	0.000	0.000	0.000

B.1.38 State whether the audit report on the Annual Financial Statements for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such observations or qualifications.

NO

B.1.39 Indicate the consecutive number of years for which the current audit firm has been auditing the annual financial statements of the Company and/or its Group. In addition, state the percentage represented by such number of years with respect to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	6	6

	Company	Group
Number of years audited by the current audit firm / Number of years in which the company has been audited (%)	21.4	22.2

B.1.40 Indicate the interests of members of the Board of Directors in the share capital of companies that engage in the same, similar or complementary activities, both with respect to the company and its group, and which have been reported to the company. In addition, state the position or duties of such Directors in such companies:

B.1.41 Indicate whether there is any procedure for Directors to hire external advisory services, and if so, describe it:

NO

B.1.42 Indicate whether there is any procedure for Directors to obtain sufficiently in advance the information required to prepare for meetings of management-level decision-making bodies and, if so, describe it:

YES

Description of procedure
Article 25 of the Code of Conduct for the Board of Directors confers the fullest powers to directors to gather information concerning any aspect of the Company. Any requests for information shall be channelled through the President or Secretary.

B.1.43 State whether the Company has established any rules requiring Directors to inform the Company -and, if applicable, resign from their position- in cases in which the credit and reputation of the Company may be damaged.

YES

Description of rules
As regards the directors' obligation to inform, Article 36 of the Code of Conduct establishes that directors must also inform the company of all posts that they hold and the activities that they carry out in other companies or entities and, in general, of any event or situation that could be relevant in their role as company director.

B.1.44 State whether any member of the Board of Directors has informed the Company that he has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of an oral trial has been issued against him for the commission of any of the crimes contemplated in Section 124 of the Companies Law:

NO

Indicate whether the Board of Directors has analyzed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the Director should remain in office.

NO

B.2 Committees of the Board of Directors

B.2.1 List all the committees of the Board of Directors and the members thereof:

STRATEGY AND INVESTMENTS COMMITTEE

Name	Position	Class
MR. ALVARO VIDEGAIN MURO	CHAIRMAN	EXECUTIVE
MR. JUAN ANTONIO GARTEIZGOGEASCOA IGUAIN	MEMBER	INDEPENDENT
MR. PEDRO LUIS URIARTE SANTAMARINA	MEMBER	INDEPENDENT

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Position	Class
MR. JUAN RAMON GUEVARA SALETA	CHAIRMAN	INDEPENDENT
MR. GERARDO AROSTEGUI GOMEZ	MEMBER	INDEPENDENT
MR. JOSE ANTONIO ARDANZA GARRO	MEMBER	INDEPENDENT
MR. MANUEL GUASCH MOLINS	MEMBER	INDEPENDENT

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Class
MR. ALEJANDRO ECHEVARRIA BUSQUET	CHAIRMAN	INDEPENDENT
MR. JOSE ANTONIO ARDANZA GARRO	MEMBER	INDEPENDENT
MR. JUAN ANTONIO GARTEIZGOGEASCOA IGUAIN	MEMBER	INDEPENDENT

B.2.2 State whether the Audit Committee has the following duties:

Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	YES
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.	YES
Ensure the independence and effectiveness of the internal audit area; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit area; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.	YES

Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	NO
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	YES
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	YES
Ensure the independence of the external auditor.	YES
In the case of groups of companies, favour the auditor of the group as the auditor responsible for audit work at the companies that form part thereof.	YES

B.2.3 Describe the rules of organization and operation of, and the duties assigned to, each of the Board committees.

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

The Audit and Compliance Committee should have at least three members and should be made up exclusively of non-executive Board members, appointed by the Board of Directors. The Chairman should be appointed among the independent Board members. The Chairman of this Committee should be replaced every four years, and could be re-elected for two successive terms.

On 26 June 2008, the Spanish National Stock Market Commission (CNMV) was notified of changes in the composition of the Committee, after which it was made up of the following members: Messrs. Garteizgogearcoa, Echevarría and Ardanza, with the Board Secretary, Mr. Jover, acting as Secretary.

This Committee met on four occasions in 2008.

Without affecting the other tasks assigned by the board, the Audit and Compliance Committee has the following basic responsibilities:

- a) Report to the AGM of Shareholders on the questions raised at this meeting by the shareholders in terms of their powers.
- b) Propose the compliance of the AGM of Shareholders in the appointment of external accounts' auditors by the Board of Directors, as stated in article 204 of the revised text of the Joint Stock Company Act.
- c) Direct and supervise the activity of the internal audit and risk management department.
- d) Know the Company's financial information process and internal control systems.
- e) Take responsibility for relations with external auditors so as to receive information about any issues that might jeopardise their independence.
- f) Review the company's accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, as well as report on proposals for the modification of accounting principles and criteria suggested by management.

g) Act as a communication channel between the Board of Directors and the auditors; assess the results of each audit and the management team's response to the recommendations. If discrepancies arise, mediate between the auditors and the management team in relation to the principles and criteria applicable in the preparation of financial statements.

h) Review the appointment and replacement of those responsible for internal control systems.

i) Supervise compliance of the audit contract and ensure that opinions on the annual accounts and the main points of the audit report are written clearly and precisely.

j) Review the prospectuses and periodic financial information that the Board should provide to the markets and its supervisory bodies.

k) Inform prior to decisions being taken by the Board on transactions which, due to their complexity, might reduce fiscal transparency.

l) Examine compliance with the Internal Code of Conduct in relation to the Stock Markets, the Board's Code and, in general, the company's governance regulations and make any proposals necessary for their improvement. In particular, the Audit and Compliance Committee is responsible for receiving information and, if appropriate, for issuing reports on disciplinary measures to the company's management team.

m) The Audit and Compliance Committee shall meet periodically, when it is required to do so. One of the sessions shall be dedicated to evaluating the efficiency and compliance of the company's governance regulations and procedures and preparing the information that the Board of Directors must approve and include in its annual public documentation.

n) Any member of the executive team or the company's personnel who is required to do so, is obliged to attend the committee's sessions and to collaborate and provide access to the information in their possession. The committee may also request that the accounts auditors attend their meetings.

During 2007, the Board of Directors of Tubacex, in line with international best practices on risk management and internal control, decided to provide the corporate Internal Audit function with additional human and technical resources to enable it to effectively fulfill its mission.

The main aims of the corporate Internal Audit function are:

Comply with the recommendations of the Combined Code on Corporate Governance of the Spanish National Stock Market Commission.

Create value for the Group by issuing improvement recommendations and opportunities.

Support the Audit and Compliance Committee in its supervisory mission, by periodically reviewing the internal control system.

Assist in implementing a risk management and control model.

With the aim of guaranteeing its objectivity and independence, the Internal Audit function reports directly to the Audit and Compliance Committee and not to any of the Group's operational units.

Financial year 2008 meant the start of the work foreseen in the Triennial Internal Audit Plan 2008-2010. This Plan covers the areas and activities of the Group whose internal control systems will be analysed by the Internal Audit in the 2008-2010 period. Following the guidelines of the Regulation that describes the Internal Audit functions, this Plan has been approved by the Audit and Compliance Committee.

During financial year 2008, the head of the Corporate Internal Audit systematically informed the Audit and Compliance Committee about the following activities:

- Internal Audit Plan 2008 and its rate of implementation.
- Issuing reports on the units audited in accordance with the Triennial Plan.
- Reports on special tasks not initially included in the Plan.
- Report on the degree of implementation of the recommendations issued.

Internal Audit carried out the 2008 Plan entirely, giving rise to six internal audit reports, two special reports and the Annual Monitoring Report on recommendations.

Name of the committee

STRATEGY AND INVESTMENTS COMMITTEE

Brief description

According to the Board's Code, the Strategy and Investments Committee will be made up of at least three of the Group's Board members, with the Chairman of the Board of Directors also acting as Committee Chairman.

On 26 June 2008, the CNMV was notified of changes in the composition of the Committee, after which it was made up of the following members: Messrs. Videgain, Garteizgogea and Uriarte.

In 2008, this Committee met on four occasions.

Without affecting the other tasks assigned by the board, the Strategy and Investments Committee has the following basic responsibilities:

- a) Propose the company's medium and long term strategic plans to the Board of Directors.
- b) Propose the annual investment budget of the companies that make up the TUBACEX Group.
- c) Propose the disinvestments of the company's substantial assets.
- d) Propose large-scale corporate transactions to the Board of Directors.
- e) The Strategy and Investments Committee shall meet periodically in relation to its needs and at least four times a year.
- f) Any member of the executive team or the company's personnel who is required to do so could attend the Committee's meetings and collaborate with it.

Name of the committee

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description

The Appointments and Remunerations Committee will be composed of at least three independent Board members, one of whom will be elected as Chairman. In 2008, this Committee met on three occasions.

Without affecting the other tasks assigned by the board, the Appointments and Remunerations Committee has the following basic responsibilities:

- a) Formulate and review the criteria governing the composition of the Board of Directors and the appointment of candidates.

- b) Provide the Board of Directors with reports and proposals for the appointment of Board members so that the board can directly appoint them (co-optation) or can consider them so that the AGM can make a decision.
- c) Plan the succession of the President and of the Chief Executive Officer, if applicable.
- d) Propose the system and level of remuneration for the Board members, general managers and management committees to the Board of Directors.
- e) Periodically review the remuneration system and consider its performance and any changes.
- f) Ensure that selection procedures do not hinder gender diversity and try to include females with appropriate professional profile among the potential candidates in each case.
- g) Report on transactions that imply or could imply a conflict of interests.
- h) The committee should take into consideration the suggestions that come from the Chairman, Board members and the company's shareholders.

The Appointments and Remuneration Committee shall meet every time the board, or its Chairman requests that a report be issued or a proposal adopted and in any case, the committee will meet whenever it is required to ensure the good development of its functions. In any case, the committee will meet once a year to prepare the information on the Board members' remuneration that the Board of Directors and Management need to approve and include in the annual public documentation.

B.2.4 Indicate the advisory and consulting powers as well as the delegated powers, if any, of each of the committees:

Name of the committee

STRATEGY AND INVESTMENTS COMMITTEE

Brief description

Article 13 of the Code of Conduct for the Board of Directors establishes that all committees will regulate their own operations, keep minutes and be able to ask for external advice.

Name of the committee

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description

Article 13 of the Code of Conduct for the Board of Directors establishes that all committees will regulate their own operations, keep minutes and be able to ask for external advice.

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Article 13 of the Code of Conduct for the Board of Directors establishes that all committees will regulate their own operations, keep minutes and be able to ask for external advice.

B.2.5 Indicate, if applicable, the existence of regulations of the Board committees, where such regulations may be consulted and the amendments made during the fiscal year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Name of the committee

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Each and every one of the Board committees has its own regulations and anything not foreseen will be governed by Code of Conduct for the Board of Directors itself, provided it is compatible with the nature and function of each committee, as stipulated in Article 13.3 of the Code of Conduct for the Board of Directors. This Code of Conduct is available on the corporate website.

The committees report about their activities to the Board of Directors, which makes an annual evaluation of the activities carried out by each of them.

Name of the committee

STRATEGY AND INVESTMENTS COMMITTEE

Brief description

Each and every one of the Board committees has its own regulations and anything not foreseen will be governed by Code of Conduct for the Board of Directors itself, provided it is compatible with the nature and function of each committee, as stipulated in Article 13.3 of the Code of Conduct for the Board of Directors. This Code of Conduct is available on the corporate website.

The committees report about their activities to the Board of Directors, which makes an annual evaluation of the activities carried out by each of them.

Name of the committee

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Brief description

Each and every one of the Board committees has its own regulations and anything not foreseen will be governed by Code of Conduct for the Board of Directors itself, provided it is compatible with the nature and function of each committee, as stipulated in Article 13.3 of the Code of Conduct for the Board of Directors. This Code of Conduct is available on the corporate website.

The committees report about their activities to the Board of Directors, which makes an annual evaluation of the activities carried out by each of them.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the different directors in the Board of Directors based on their category:

NO

If no, explain the composition of your Executive Committee

It does not exist Executive Committee.

C - RELATED-PARTY TRANSACTIONS

C.1 State whether the Board as a full body has reserved for itself the power to approve, after a favourable report of the Audit Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:

YES

C.2 Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

C.3 Describe the relevant transactions that involve a transfer of resources or obligations between the Company or entities within its Group and the directors or managers of the Company:

Individual or corporate name of directors or managers	Individual or corporate name of the Company or entity within its Group	Nature of transaction	Type of transaction	Amount (in thousands of Euros)
MR. ALEJANDRO ECHEVARRIA	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	98
MR. ALVARO VIDEAIN	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	98
ATALAYA INVERSIONES, S.R.L.	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	81
MR. GERARDO AROSTEGUI	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	96
MR. JOSE ANTONIO ARDANZA	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	98
MR. JUAN ANTONIO GARTEIZGOGEASCOA	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	106
MR. JUAN JOSE IRIBECAMPOS	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	11
MR. JUAN RAMON GUEVARA	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	92
MR. LUIS MARIA URRIBARREN	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	64
MR. MANUEL GUASCH	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	96
MR. PEDRO LUIS URIARTE	TUBACEX, S.A.	REMUNERATIONS	Engaged commitments	94

C.4 Describe the relevant transactions made by the Company with other companies belonging to the same group, provided they are not eliminated in the preparation of the consolidated financial statements and they are not part of the ordinary course of business of the Company as to their purpose and conditions:

C.5 State whether the members of the Board of Directors have been subject to any conflict of interest situation during the fiscal year pursuant to the provisions of Article 127 ter of the Companies Law.

NO

C.6 Describe the mechanisms used to detect, determine and resolve potential conflicts of interest between the company and/or its Group, and its directors, managers or significant shareholders.

Article 31 of the Code of Conduct for the Board of Directors establishes the following as regards conflicts of interests:

Board members should refrain from contributing to or interfering in deliberations that affect issues in which they have a personal interest.

A Board member will also be considered to have a personal interest when the issue affects his/her spouse, direct family members, or when the issue affects a company where the Board member or the aforementioned members of his/her family holds an executive post or has a significant share in the company.

Board members shall not carry out professional nor commercial transactions with the company, whether of a direct or an indirect nature, unless they have previously reported the conflict of interests and the board, prior to reporting the transaction to the Appointments and Remunerations Committee, approves the transaction.

C.7 Is more than one company of the Group listed in Spain?

NO

D - RISK CONTROL SYSTEMS

D.1 General description of the risk control policy adopted by the Company and/or its Group, describing and assessing the risks covered by the system and a justification for the adjustment of such system to the profile of each kind of risk.

Since the beginning, the TUBACEX Group has operated in a global market and as a multinational with a worldwide presence. As a result, the Group has progressively developed policies, procedures, tools and resources, both human and technological, to face up to the risks arising from its operations in this global environment. The necessary controls, both preventative and detective, have been implemented. By focusing on a continual improvement approach towards its corporate governance policies, the Group has emphasised to a greater extent the development of this process. Currently, the Group's reporting and control systems and its different business unit systems are oriented towards preventing and mitigating the potential effect of business risks.

As mentioned earlier in this Report, in 2007 the Board of Directors of Tubacex decided to provide the corporate Internal Audit function with additional resources to enable it to carry out its mission effectively. Among its objectives, the Internal Audit function has been assigned the task of helping to implement a more effective risk management and control model. Consequently, one of the main starting points for the Triennial Internal Audit Plan 2008-2010 was the drawing up of new risk matrices that have been used as the basis for hierarchising the tasks to be carried out within this Plan.

Within the group of risks inherent to the TUBACEX activity, the Group's governance bodies, including the Board of Directors, the Audit and Compliance Committee, Corporate Finance Management, and the finance and administrative management teams in each of the business units, focus their control activity on the following key risks:

Credit risk corresponding to sales made around the world. This is one of the company's most important risks as it affects the total business turnover figure. The general policy is to hedge the largest number of operations with credit insurance for which the Group has entered into a number of annual agreements in this respect. Letters of credit or sufficient collateral guarantees cover the operations not included in the aforementioned agreements. The Group's general policy is to maintain minimum levels of exposure to credit risk. This policy has given rise to historic, exceptionally low non-payment percentages.

Currency risk. The Group is exposed to currency fluctuations. There are two effects arising from product sales transactions and raw material purchasing transactions: On the one hand, there is a risk relating to the potential variation in the profit margin generated through the sale from the moment of sale to its collection and also there is another risk in the value of the products purchased in dollars, mainly raw materials. On the other hand, there is a risk related to the consolidation of results from group subsidiaries operating outside the euro zone (the closing rate method applies) whose financial statements are in dollars. The greatest exposure corresponds to US dollars, although there is also exposure in pounds sterling and Canadian dollars. The group's general policy is not to speculate with open positions, compensating inflows (collections) with outflows (payments) in foreign currency within the estimated terms; for those remaining open positions, having taken into account both the balance position and the risk taken on in the order book, exchange insurance agreements are entered into in order to mitigate the Group's exposure, always following a conservative approach.

Interest rate risk. The loans and credit accounts entered into by the group are mainly indexed to the Euribor index and to a lesser extent to the USA Libor index, based on different contract and settlement periods, thus exposing the Group's financial cost to potential variations in interest rates. The group undertakes fixed rate hedging on interest rates in order to mitigate the aforementioned exposure.

Risk of volatility in the price of raw materials. The group is exposed to variations in the price of the main raw materials used in the production of stainless steel, such as nickel, chromium, molybdenum and stainless scrap metal, whose price is indexed mainly in accordance with the cost of nickel. The most significant effect arises from the price of nickel, whose price is listed daily on the London Metal Exchange (LME) and its impact on the cost of scrap, as well as that of chromium and molybdenum. The group's general policy is to effectively purchase raw materials relating to both steel and tube orders at a fixed price, so that they are isolated from potential fluctuations prior to their collection.

In a more detailed way, the group applies the following control systems to the aforementioned risks:

Credit risk

The TUBACEX group has developed a credit risk control policy that is basically summarised in the need to have the coverage of credit insurance companies in all sales and where there is no coverage, due to country risk or other circumstances, to use secure sales methods, such as letters of credit, documentary credit or bank guarantees, which are always on an irrevocable and first demand basis or advanced payments prior to the delivery of the material. Compliance with this policy means very close credit control in all transactions, in order not to slow down commercial activity and at the same time to guarantee that clients without cover or with exceeded cover are not included. It is also important to bear in mind that given the significant volume of transactions carried out with large distributors, the TUBACEX group's degree of coverage with insurance companies is usually around 80-85% of requests.

The specific credit control tools are integrated into the Group's transactional systems and allow the dynamic and on-line analysis of current and forecasted positions of our different clients' orders. These automated systems allow the analysis of our clients' future risk development through a combination of functions such as amount invoiced, orders pending invoicing, the future collection of both and the level of risk covered by insurance companies.

Currency risk

As we have described in the previous chapter, the following controls are carried out in order to cover currency risk:

- Dynamic analysis (daily) of all actual and forecasted currency inflows and outflows, including both balance positions (clients and suppliers) as well as the expected future flows arising from orders and expected future payments for the purchasing of raw materials.
- Calculation of net exposure in all aforementioned periods and flow matching (implicit cover).
- Undertaking of exchange insurance in residual positions.
- In order to define the currency hedging strategies for imports and exports, an independent advisor is used who is not linked to any financial entity. Likewise, this advisor notes on-line the amounts and quotes of transactions to be carried out through the spot and forward sale and purchasing of currencies, or through variations in the exchange insurance terms.
- Based on the advisor's guidance, all transactions are quoted through different first-rate financial companies, directly buying or selling on the corresponding treasury desks at the best possible market price.

The group's general policy in this respect is to maintain the expected and generated commercial margin in each transaction and in this way no speculative action is carried out within the field of currency management.

Likewise, the fact that within the TUBACEX group there are companies outside the euro zone, mainly in the USA, means that due to the application of the "closing rate consolidation method", fluctuations in the euro/dollar quotation become a potential risk when integrating the aforementioned subsidiaries result into the Group's consolidated result.

Interest rate risk

The TUBACEX group is exposed in different ways to fluctuations in interest rates depending on whether the group as a whole or individual subsidiaries are being considered. In terms of deposits, the Group's general policy in this respect is, in any case, to not be exposed to possible fluctuations in the equities market, therefore using only interest-bearing deposits.

In terms of funding, the group opts for variable interest rate funding, using fixed rate IRS or FRAS hedging. These hedging practices are used both in long term funding positions, as well as in those funding positions renewed on a yearly basis and which as a result, have an effect on the availability of funds. The hedging policies used are based on:

- General policy of variable/fixed exposure on an approximate 80/20 basis.
- Dynamic follow up both in terms of structured funding, as well as funding levels of working capital through credit accounts or other financial instruments.
- The use of financial hedging instruments quoted in organised markets (not using OTC transactions).
- Not undertaking derivatives transactions of a speculative nature.
- The use of an independent advisor to develop the hedging strategy.
- Market trading with world-class and reputable financial companies.

Risk of volatility in the price of raw materials

The basic raw material is nickel, a metal that is listed on the "London Metal Exchange" (LME) and which has a high level of volatility due to the fact of being subject to the tensions of supply and demand between producers and consumers, but at the same time, is also affected by the interference of investment funds that act speculatively on the price of this material. The appearance of China as a consumer and producer of stainless steel at a world level has increased to an even greater extent this material's levels of volatility. Molybdenum is a raw material whose listed price has also been historically subject to considerable fluctuations.

As part of the conservative policies followed by the company to mitigate this risk, the group carries out the following procedures and controls:

- Annual controls to guarantee supply in tonnes undertaken with the main suppliers at a world and national level.
- Undertaking dynamic analysis of the company's exposure to the risk held by tube and steel orders purchased at a fixed price and the determining of raw material supply needs at Acerálava, the group's head of the line steelworks. This analysis includes both actual and forecasted data, bearing in mind both production periods at the steelworks and tube factories, as well as periods of exposure.
- Inherent hedging mechanism arising from the application of the Alloy Surcharge practice in a large part of steel and tube sales in Europe. This practice adjusts the price of an order or an invoice to the average value taken from the raw material components and based on the average amount for the two first months of the quarter prior to the order or invoice date.
- Setting up of offer validity correction mechanisms on all orders based on a fixed price, mainly in the USA and Asian countries.

Conclusions

In concluding this section, it could be said that the group's risk control systems are summarised in the following basic actions:

- Conservative policies that only seek to protect the industrial and commercial margins obtained.
- Dynamic tools for the analysis of currency flows, exposure to credit risk and the impact of fluctuations on the price of raw materials.
- Independent advice for the design of financial hedging strategies.
- Always undertaking financial transactions in liquid and active markets with world-class and reputable financial companies.
- Pro-active management carried out by sales, purchasing and finance managers, oriented towards minimising risk and always governed by conservative policies.
- Independence in the fields of sales, purchasing and financial management.
- Attributions defined based on trading levels and type of transaction.
- Follow up of hedging policies defined by the Audit Committee.

D.2 Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the Company and/or its Group materialized during the fiscal year

NO

If so, indicate the circumstances giving rise to them and whether the established control systems have worked:

D.3 Indicate whether there is any committee or other decision-making body in charge of establishing and supervising these control mechanisms.

YES

If so, describe its duties:

Name of committee or other body

Audit and Compliance Committee

Description of duties

Supervision of internal control systems

Name of committee or other body

Board of Directors

Description of duties

Risk management

Name of committee or other body

Corporate Financial Management

Description of duties

Group risk control system

Name of committee or other body

Specific company financial management

Description of duties

Specific company control systems for each subsidiary

D.4 Identification and description of the procedures for compliance with the various regulations that affect the Company and/or its Group.

- Conservative policies that only seek to protect the industrial and commercial margins obtained.
- Dynamic tools for the analysis of currency flows, exposure to credit risk and the impact of fluctuations on the price of raw materials.
- Independent advice for the design of financial hedging strategies.
- Always undertaking financial transactions in liquid and active markets with world-class and reputable financial companies.
- Pro-active management carried out by sales, purchasing and finance managers, oriented towards minimising risk and always governed by conservative policies.
- Independence in the fields of sales, purchasing and financial management.
- Attributions defined based on trading levels and type of transaction.
- Follow up of hedging policies defined by the Audit Committee.

E - GENERAL SHAREHOLDERS' MEETING

E.1 Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.

NO

	Quorum % different from that established as a general rule in Section 102 of the Companies Law	Quorum % different from that established in Section 103 of the Companies Law for the special cases set forth in such Section 103
Required quorum upon 1st call	0	0
Required quorum upon 2nd call	0	0

E.2 Indicate and, if applicable, explain whether there are differences with the rules provided by the Companies Law for the adoption of corporate resolutions.

NO

Describe the differences with the rules provided by the Companies Law.

E.3 Explain the rights of the shareholders regarding general shareholders' meetings which are different from the rights provided in the Companies Law.

Information

Once the call to meeting has been made, the company will make available to any shareholder the agreement proposals put together by the Board of Directors in relation to the agenda points, except when they are proposals that are not required by law or the bylaws to be made available and the Board of Directors considers that there are justified reasons for not doing so.

The documentation that is available to shareholders will also be posted on the company's website, from the date on which the meeting is called.

Shareholders may also request the free delivery of the complete text of the documents available to them.

Shareholders may also request information in relation to the items included on the agenda for the AGM up to seven days before the date of the meeting, as well as all information available to the public, which has been sent to the Securities and Exchange Commission since the last meeting. Board members are obliged to provide this information in writing, not during the meeting, but prior to the day on which it is held.

During the meeting, shareholders may verbally request information or clarification of the items in the agenda and the Board members should respond to these requests during the same meeting, except when it is not possible to comply with this right to information, in which case they should reply to the request in writing within seven days following the close of the meeting.

The Board members will not be obliged to provide the information requested by the shareholders if, in the Chairman's opinion, publishing the information in this way will be to the detriment of the company's interests. This exception shall not hold if the request is supported by 25% of the share capital.

Without affecting the shareholder's right to information referred to in the previous sections, shareholders, upon having their identity as such confirmed, shall be able to comment or make suggestions in relation to items on the agenda. They must do this through the shareholders' office or via the company's web site. The Board of Directors is not obliged to report on these suggestions during the AGM, but they can bear them in mind or grant the shareholder the right to interfere during the meeting.

The right to information can also be exercised via the entity's web site where the existing communication channels will be stated, and if appropriate, the email addresses the shareholders can use for this purpose.

Right to attend

Shareholders who own the minimum number of shares set out by the corporate bylaws may attend the AGM of Shareholders. They must also have these shares registered in the Accounting Register of Accounting Entries and must hold on to these shares until the meeting takes place. If more than one share is required to attend the meeting, owners who have fewer shares than the minimum number may join together to achieve this minimum number and should appoint a representative.

Attendance cards will be issued through the entities holding the Accounting Registers and will be used by the shareholders as a document, both in terms of their representation at the AGM, as well as to give them access to the building where the AGM is being held.

The Board of Directors should attend the AGM and the Chairman can authorise the attendance of anyone else that it deems to be appropriate, although the AGM can revoke this authorisation. The presence of all the members of the Board of Directors is not necessary for the meeting to go ahead.

Representation

Any shareholder who is entitled to attend the AGM can authorise someone else to represent him/her at the meeting. Representation should be stated in writing for each meeting without affecting what is stipulated in the law on family representation and the granting of general powers. On no occasion may any shareholder have more than one representative at the meeting.

Representation can be granted by postal or electronic mail, in application of the stipulations of Article 14 of the bylaws for issuing votes by the said means, insofar as it is not incompatible with the nature of the representation.

It is always possible to revoke representation and it is understood that the attendance of the person who was to be represented at the AGM signifies revocation.

Electronic vote

The vote by means of electronic communication will be issued under a recognised electronic signature or some other kind of guarantee that the Board of Directors considers suitable so as to ensure the authenticity of the identity of the shareholder exercising the right to vote.

E.4 Indicate, if applicable, the measures adopted to encourage the participation of shareholders at General Shareholders' Meetings.

In addition to advertising the AGM through all the information channels required by law, notice to attend AGMs is also posted on the corporate website and disseminated to the maximum via the most representative financial media.

E.5 Indicate whether the chairman of the General Shareholders' Meeting is also the chairman of the Board of Directors. Describe, if applicable, the measures adopted to ensure independence and proper operation of the General Shareholders' Meeting:

YES

Description of measures

The Codes of Conduct for both the Board of Directors and the AGM itself, both submitted to and approved by the AGM on 19 May 2004, regulate and guarantee the independence and correct operation of the AGM.

E.6 Indicate the amendments, if any, made to the Regulations for the General Shareholders' Meeting during the fiscal year.

E.7 Indicate the data on attendance at the general shareholders' meetings held during the fiscal year referred to in this report:

Attendance data					
Date of General Shareholders' Meeting	% of shareholders present in person	% of shareholders represented by proxy	% distance voting		Total
			Electronic voting	Other	
22/05/2008	18.790	32.650	0.000	0.000	51.440

E.8 Briefly describe the resolutions adopted by the shareholders acting at the general shareholders' meetings held during the fiscal year referred to in this report and the percentage of votes by which each resolution was passed.

The following agreements were adopted during this meeting:

First.- A) Approve the individual and consolidated Annual Accounts corresponding to financial year 2007.

B) Approve the Management Report.

C) Determine the economic performance arising from the 2007 company year that represents an individual profit of 24,578 thousand euros and a consolidated profit of 56,661 thousand euros.

D) Provide written proof that the aforementioned Annual Accounts, Management Report, Corporate Governance Report and Auditors' Report were also prepared on a consolidated basis, were presented in this way to the AGM and duly approved.

Approved by the favourable vote of the owners of 68,402,353 shares.

Second.- Apply the profits of financial year 2007 to pay out an ordinary dividend at the rate of 0.141913168 euros gross for each of the shares in circulation on 15 July 2008, involving the total amount of 19,831,350 euros; and to allocate 4,746,605.22 euros to Voluntary Reserves.

Approved by the favourable vote of the owners of 68,402,353 shares.

Third.- Approve the Corporate Governance Report for the consolidated Tubacex Group for financial year 2007.

Approved by the favourable vote of the owners of 68,402,353 shares.

Fourth.- To appoint Mr. Juan José Iribecampos Zubia as an external proprietary director of the Board of Directors of Tubacex, S.A. for a period of 6 years. Being present at the meeting and after stating that he is not involved in any prohibition or incapacity, Mr Iribecampos Zubia accepts the position proposed.

Approved by the favourable vote of the owners of 68,402,353 shares.

Fifth.- Appoint Sociedad KPMG Auditores S.L. as Auditors for the accounts of the Company and of its consolidated Group, with the exception of the companies located outside Spain, to carry out the audit for a period of one year starting on 1 January 2008 and to include review of the accounts for financial year 2008.

Approved by the favourable vote of the owners of 62,320,840 shares and the opposing vote of 6,081,513.

Sixth.- Acknowledge awareness of the report on the Board of Directors remuneration policy.

Approved by the favourable vote of the owners of 68,029,472 shares, the abstention of 1,300 shares and the opposing vote of 371,581 shares.

Seventh.- Approve, in accordance with the stipulations of the fourth provision supplementing the Joint Stock Company Act, the setting up of a long-term variable compensation system, in shares, addressed to executives of 'TUBACEX, S.A.' and its group and linked to the targets of the strategic plan, which finishes in 2010, being achieved, in accordance with the following conditions:

a) Long-term variable compensation is conceived as an incentive linked to fulfilment, during the 2008-2010 period, of targets set in the Company's Strategic Plan, which finishes in 2010, determined by the Board of Directors in accordance with the report by the Appointments and Remunerations Committee.

b) The beneficiaries will be the top executives of TUBACEX, S.A. and its group included in this plan while it is in force, by virtue of the agreements taken by the Board of Directors in implementing this agreement.

c) The maximum amount will be as set by the Board of Directors for each beneficiary, with a maximum limit of up to once the total annual remuneration of each executive.

d) The shares will be valued, for this purpose, by taking as a reference the listing price at closing on 14 March 2008, the date on which the Board of Directors, at the proposal of the Appointments and Remunerations Committee, approved the said long-term variable compensation plan.

e) The Plan is to last for three years, corresponding to the 2008-2010 period, with shares to be delivered on 14 March 2011.

f) Power is delegated to the Board of Directors, with powers to delegate or substitute, to develop, formalise and implement the said variable compensation plan in shares, by making any agreements and signing any public or private documents as might be necessary for its execution.

Approved by the favourable vote of the owners of 62,714,110 shares and the abstention of 922,384 shares and the opposing vote of 4,765,859 shares.

Eighth.- Authorise the Board of Directors to proceed with the derivative acquisition of stocks (share buyback) of "TUBACEX, S.A." shares by TUBACEX, S.A. during the maximum period of 18 months, nullifying any unimplemented part of what was agreed at the AGM held on 22 May 2007.

These acquisitions shall be carried out within the following restrictions:

1.- That the total number of shares bought by the company and its subsidiary companies shall not exceed 5% of the total share capital of TUBACEX, S.A.

2.- That it is possible to put an unavailable reserve in the liabilities that is equivalent to the amount of shares bought.

Shares should be bought at the listing price of the day on which the respective shares are bought, or if the share has not been listed on this date, at the listing price of the last day prior on which it was traded on the stock exchange.

Likewise, the Board of Directors is authorised to dispose of the company's bought shares at the listing price, as is stated in the above paragraph.

Approved by the favourable vote of the owners of 68,402,353 shares.

E.9 Indicate whether there are any bylaw restrictions requiring a minimum number of shares to attend the General Shareholders' Meeting.

NO

Number of shares required to attend the General Shareholders' Meeting	
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E.10 Indicate and justify the policies followed by the company with respect to proxy-voting at the General Shareholders' Meeting.

Any shareholder who is entitled to attend the AGM can authorise someone else to represent him/her at the meeting. Representation should be stated in writing for each meeting without affecting what is stipulated in the law on family representation and the granting of general powers. On no occasion may any shareholder have more than one representative at the meeting.

Representation can be granted by postal or electronic mail, in application of the stipulations of Article 14 of the bylaws for issuing votes by the said means, insofar as it is not incompatible with the nature of the representation.

It is always possible to revoke representation and it is understood that the attendance of the person who was to be represented at the AGM signifies revocation.

E.11 Indicate whether the Company is aware of any policy of institutional investors as to participating or not in the decisions of the Company:

NO

E.12 Indicate the address and manner for accessing corporate governance content on your website.

The contents of this report, along with the rest of the information relating to Corporate Governance are available on the Company's website () within the section "Information for Shareholders and Investors", as defined in circular 4/2007 issued by the Spanish National Stock Market Commission (CNMV) on 27 December 2007 concerning the "Annual Report on Corporate Governance by public limited companies listed on the stock market".

F - DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the company's degree of conformance to the recommendations of the Unified Good Governance Code. If the company does not comply with any of such recommendations, please explain the recommendations, standards, practices or criteria applied by the company.

1. The bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Complies

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Not applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Shareholders' Meeting for approval:

- a) The transformation of listed companies into holding companies through "subsidiarization," i.e., reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
- b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
- c) Transactions whose effect is tantamount to the liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of call to the General Shareholders' Meeting.

Complies

5. Matters that are substantially independent are voted on separately at the General Shareholders' Meeting, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

- a) To the appointment or ratification of directors, which shall be voted on individually;
- b) In the event of amendments of the bylaws, to each article or group of articles that are substantially independent of one another.

See section: E.8

Complies

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for the account of different clients can divide their votes in accordance with the instructions given by such clients.

See section: E.4

Complies

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it carries on its business, and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the objectives set while pursuing the company's interest and corporate purpose. As such, the full Board reserves for itself the right to approve:

- a) The company's policies and general lines of strategy, and in particular:
 - i) The strategic or business Plan as well as the management targets and annual budgets;
 - ii) The investment and financing policy;
 - iii) The design of the structure of the corporate group;
 - iv) The corporate governance policy;
 - v) The corporate social responsibility policy;
 - vi) The policy for compensation and assessment of the performance of senior managers;
 - vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
 - viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:
 - i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14.

- ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

See section: B.1.14.

- iii) The financial information that the Company must periodically make public due to its status as listed company.
- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Shareholders' Meeting.
- v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
2. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
3. The amount thereof is no more than 1% of the Company's annual revenues.

It is recommended that related-party transactions only be approved by the Board upon the prior favourable report of the Audit Committee or such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the full Board.

See sections: C.1 and C.6

Complies

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no few than five and no more than fifteen members.

See section: B.1.1

Complies

10. External directors, proprietary and independent, occupy an ample majority of the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders.

See section: B.1.3

Not applicable

12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital. This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.
2. In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Complies

14. The status of each director is explained by the Board at the General Shareholders' Meeting at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.4

Complies

15. When women directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Appointments Committee takes steps to ensure that, when new vacancies are filled:

- a) Selection procedures do not have an implied bias that hinders the selection of women directors;
- b) The company deliberately looks for women with the target professional profile and includes them among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3.

Complies

16. The Chairman, as the person responsible for the effective operation of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular evaluations of the Board and, where appropriate, the Chief Executive Officer.

See section: B.1.42

Complies

17. When the Chairman of the Board is also the chief executive of the company, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new business on the agenda; to coordinate and hear the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies

18. The Secretary of the Board takes particular care to ensure that the Board's actions:

- a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;
- b) Comply with the company's bylaws and the Regulations for the General Shareholders' Meeting, the Regulations of the Board and other regulations of the company;

c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and removal are reported by the Appointments Committee and approved by the full Board; and that such appointment and removal procedures are set forth in the Regulations of the Board.

See section: B.1.34

Complies

19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See section: B.1.29

Complies

20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: B.1.28 and B.1.30

Complies

21. When directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies

22. The full Board evaluates the following on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) On the basis of a report submitted to it by the Appointments Committee, how well the Chairman and chief executive of the company have carried out their duties;
- c) The performance of its Committees, on the basis of the reports furnished by them.

See section: B.1.19

Complies

23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the bylaws or the Regulations of the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: B.1.42

Complies

24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: B.1.41

Complies

25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies

26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

- a) Directors apprise the Appointments Committee of their other professional duties, in case they might detract from the necessary dedication;
- b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: B.1.8, B.1.9 and B.1.17

Complies

27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Shareholders' Meeting, as well as the interim appointment of directors to fill vacancies, are approved by the Board:

- a) On the proposal of the Appointments Committee, in the case of independent directors;
- b) Subject to a prior report from the Appointments Committee, in the case of other directors.

See section: B.1.2

Complies

28. Companies post the following director information on their websites, and keep such information updated:

- a) Professional and biographical profile;
- b) Other Boards of Directors of listed or unlisted companies on which they sit;
- c) Indication of the director's classification, specifying, for proprietary directors, the shareholder they represent or to whom they are related;
- d) Date of their first and subsequent appointments as a company director; and
- e) Shares held in the company and options thereon held by them.

Complies

29. Independent directors do not hold office as such for a continuous period of more than 12 years.

See section: B.1.2

Tubacex, S.A. does not share the criterion that independent directors staying on the Board of Directors for longer than 12 years means a loss of their independence and, therefore, does not establish any specific conditions on board members of this type, who are regulated by the same general conditions applicable to other members of the Board.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them do likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set by the bylaws, for which he was appointed, except for good cause is found by the Board upon a prior report of the Appointments Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the equity structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 124 of the Companies Law, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies

33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.

When the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusions and, if he chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

This Recommendation also applies to the Secretary of the Board, even if he is not a director.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a significant event, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: B.1.5

Not applicable

35. The compensation policy approved by the Board specifies at least the following points:

- a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;
- b) Variable compensation items, including, in particular:
 - i) The classes of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items;
 - ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;
 - iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.
- d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:
 - i) Duration;
 - ii) Notice periods; and
 - iii) Any other provisions relating to hiring bonuses, as well as indemnity or “golden parachute” provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See section: B.1.15

Partially complies

The remuneration policy considers all the fixed and variable components it is composed of, but does not currently cover all the concepts enumerated in recommendation 35, for which there are no special plans at the moment.

36. Compensation paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subjected to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3 and B.1.3

Complies

37. The compensation of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to compromise their independence.

Complies

38. The compensation linked to company earnings takes into account any qualifications included in the external auditor's report that reduce such earnings.

Not applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies

40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes. This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

The Board also reports on the role played by the Remunerations Committee in the preparation of the compensation policy and, if external advice was provided, it states the name of the external advisors that have given such advice.

See section: B.1.16

Partially complies

The remuneration policy considers all the fixed and variable components it is composed of, but does not currently cover all the concepts enumerated in recommendation 35, for which there are no special plans at the moment.

41. The Notes to the Financial Statements list the individual directors' compensation during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:

- i) Attendance fees or other fixed compensation received as a director;
- ii) The additional compensation received as chairman or member of a Board committee;
- iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
- iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
- v) Any severance package agreed or paid;
- vi) Any compensation received as a director of other companies in the group;
- vii) Compensation for the performance of senior management duties by executive directors;
- viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received by the director.

b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:

- i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
- ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
- iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
- iv) Any change during the year in the terms for the exercise of previously-awarded options.

c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Partially complies

The breakdown of remunerations deals with practically all the different concepts that this recommendation states.

42. When there is an Executive Committee (hereinafter, "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: B.2.1 and B.2.6

Not applicable

43. The Board is always informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors forms a single Appointments and Remunerations Committee as a separate committee of the Board, or a Appointments Committee and a Remunerations Committee.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remunerations Committee or committees are set forth in the Regulations of the Board, and include the following:

- a) The Board appoints the members of such Committees, taking into account the background knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work done.
- b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
- c) Committee Chairmen are independent directors.
- d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Complies

45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit Committee, the Appointments Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.

Complies

46. The members of the Audit Committee and, particularly, the Chairman thereof, are appointed taking into account their background knowledge and experience in accounting, auditing and risk management matters.

Complies

47. Listed companies have an internal audit function which, under the supervision of the Audit Committee, to ensure the smooth operation of the information and internal control systems.

Complies

48. The head of internal audit presents an annual work plan to the Audit Committee; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies

49. Risk control and management policy specifies at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
- d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D

Complies

50. The Audit Committee's role is:

1. With respect to the internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
- c) To ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- c) To monitor the independence of the external auditor, to which end:
 - i) The company reports a change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same;
 - ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;
 - iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.
- d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Partially complies

The Company does not consider it appropriate to establish the mechanism indicated in section d) of the first point.

51. The Audit Committee may cause any company employee or manager to appear before it, and even order their appearance without the presence of any other manager.

Complies

52. The Audit Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:

- a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
- b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors seeks to present the financial statements to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies

54. The majority of the members of the Appointments Committee –or of the Appointments and Remunerations Committee, if one and the same– are independent directors.

See section: B.2.1

Complies

55. The Appointments Committee has the following duties, in addition to those stated in the earlier Recommendations:

- a) To assess the qualifications, background knowledge and experience necessary to sit on the Board, defining, accordingly, the duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Appointments Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors.

And that any board member may request that the Appointments Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies

57. The Remunerations Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

- a) To propose to the Board of Directors:
 - i) The compensation policy for directors and senior managers;
 - ii) The individual compensation of executive directors and other terms of their contracts;
 - iii) The basic terms and conditions of the contracts with senior managers.
- b) To ensure compliance with the compensation policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Remunerations Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies

G - OTHER INFORMATION OF INTEREST

If you believe that there is any relevant principle or aspect regarding the corporate governance practices applied by your company that has not been discussed in this Report, please mention it and explain it below.

On 11 December 2008, Atalaya Inversiones SRL, a proprietary director on the Board of Directors, notified the Company of its change of representative, replacing Mr. Antonio Pulido Gutiérrez by Mr. Gorka Barrondo Agudín, who joined the Board as such at the first meeting in financial year 2009.

The CNMV was duly informed about this change when the Company was notified.

In this section, you may include any other information, clarification or comment relating to the prior sections of this report.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Good Governance Code:

NO

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 27/03/2009.

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

NO