

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

The major changes that society has been undergoing in recent years highlight the fact that the company can no longer restrict its operations to purely industrial, commercial or financial concerns, but must seek to embrace a business concept in which social issues take up an increasingly prominent position on its values scale.

MONTHLY MONITORING OF TUBACEX SHARE TRADING IN 2007

MONTH	DAYS TRADED	No. SHARES	CASH AMOUNT (1)
JANUARY	22	26,696,087	140,204,042
FEBRUARY	20	24,784,684	135,115,472
MARCH	22	44,233,507	245,823,237
APRIL	19	27,412,428	165,623,748
MAY	22	27,704,291	170,559,575
JUNE	21	16,563,526	106,205,801
JULY	22	18,995,311	127,667,130
AUGUST	23	17,575,887	112,700,987
SEPTEMBER	20	21,954,509	143,003,046
OCTOBER	23	20,653,900	150,367,486
NOVEMBER	21	22,434,813	161,814,988
DECEMBER	17	7,625,985	54,053,527
TOTAL	252	276,634,928	1,713,139,039

(1) Euros.

REPORTS OF TUBACEX RELEASED BY ANALYSTS IN 2007

ANALYST	MONTH	RECOMMENDATION	TARGET PRICE (1)
BBVA	January	Buy	6,35
BPI	January	Hold	5,00
Santander Investment	January	Underweight	4,90
Fortis Bank	January	Hold	5,20
Banco Espirito Santo	January	Buy	6,30
Ibersecurities	February	Buy	6,20
Crédit Agricole Indosuez Cheuvreux	March	Underweight	6,00
Ibersecurities	March	Buy	6,40
Santander Investment	March	Underweight	4,90
Citigroup	April	Sell	5,30
La Caixa	April	Overweight	6,50
Banesto Bolsa	April	Buy	7,15
Caja Madrid Bolsa	May	Accumulate	6,86
La Caixa	May	Overweight	6,80
Ahorro Corporación	May	Buy	7,50
Ibersecurities	May	Buy	7,00
BPI	May	Hold	5,90
Fortis Bank	June	Buy	7,20
Crédit Agricole Indosuez Cheuvreux	July	Overweight	7,80
Banco Espirito Santo	July	Buy	7,60
Ibersecurities	July	Buy	8,10
Ahorro Corporación	July	Buy	8,40
Kepler Equities	July	Buy	7,60
Citigroup	July	Hold	7,70
Santander Investment	September	Hold	7,10
BPI	September	Buy	7,60
Caja Madrid Bolsa	October	Accumulate	8,00
BBVA	October	Buy	8,40
Deutsche Bank	October	Hold	6,40
Banesto Bolsa	October	Buy	9,06
La Caixa	November	Buy	8,80
Caja Madrid Bolsa	November	Buy	9,30
BPI	November	Buy	8,40
Fortis Bank	December	Buy	8,54

(1) Euros per Share.

The company is not an end in itself but a means of helping society to move forward, and now finds itself being required to make a more wide-ranging commitment not only to its shareholders, employees and customers, but to society as a whole. In the case of the industrial company, it must also strive to respect the environment.

There are many factors behind the increased importance companies now attach to social responsibility and its incorporation into their corporate strategies:

*The new concerns and expectations of citizens, consumers, governments and investors within the context of globalisation and large-scale industrial change.

*Social criteria are becoming increasingly influential in the investment decisions made by people and institutions in their capacity both as consumers and as investors.

*Increasing concern for respect for the environment.

*Transparency in business activities brought about by the media and advanced information and communication technologies.

In such a context, business ethics, good corporate governance, transparency, people management, knowledge, commitment to sustainability, support for culture as well as the need to contribute to the development of people and society become tremendously important factors and constitute an investment in the creation of value.

The TUBACEX Group therefore believes it necessary to incorporate these principles into its strategy to enable business objectives to be considered in conjunction with the expectations of the main players with whom the Group interacts (customers, employees, shareholders, investors, etc.). In doing so it can guarantee the responsible use of resources and the adoption of policies that take the company's immediate environment into consideration.

Mindful of this, TUBACEX registered as a member of the United Nations Global Compact, a voluntary initiative of ethical commitment which asks companies from all over the world to embrace a set of principles of conduct and action in the areas of human rights, employment, environment and corruption as an integral part of their strategies and operations.

The Global Compact, introduced in the middle of 2000 on the initiative of the secretary general of the United Nations, seeks to promote the creation of a global corporate citizenship that enables business interests and processes to be reconciled with the values and requirements of civil society.

The Global Compact, which has become one of the most prestigious international initiatives in terms of sustainable development and social responsibility, sets out the following ten principles:

The Principles of the Global Compact

Human Rights

1. Business should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
2. Make sure they are not complicit in human right abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. Eliminate discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption

For yet another year, TUBACEX remains committed to the Principles of the Global Compact and every year informs about the progress made by sending the annual Progress Reports which are published and available on the website of the Spanish Global Compact Association (ASEPAM), created in 2004. This Report on Corporate Social Responsibility seeks to explain, in a summarised and transparent manner, the activities carried out by the TUBACEX Group in this field.

1.- GOOD GOVERNANCE

TUBACEX was one of the first Spanish companies to introduce good governance guidelines into its executive bodies. As early as 1994 it approved an Internal Stock Market Code of Conduct, and since 1995 it has been using the recommendations made in the Cadbury and Viennot reports to modify the way in which the board operates. These recommendations focus on reduced numbers of board members and executive board members, increased numbers of independent board members, the setting up of monitoring committees within the board, etc.

In 1998 TUBACEX approved the "Code of Conduct for the Board of Directors of Tubacex S.A.", setting out basic organisation and operating standards as well as a code of conduct for board members.

In 2002, and following the recommendations made by the Aldama Commission, TUBACEX added information on the By-Laws and the Board of Directors' Code to its website.

In the same way, the Codes of Conduct for the Board of Directors and for the Annual General Meeting of Shareholders were modified during 2007 in order to bring them into line with the recommendations established in the Unified Good Governance Code of Listed Companies, published in 2006.

All points in the current TUBACEX Annual Report on Corporate Governance follow the principles established by Circular 4/2007, dated 27 December 2007, of the Spanish National Stock Market Commission on the "Annual Report on Corporate Governance of Listed Companies", which has repealed the prior circular and includes stricter transparency requirements.

An extensive report regarding Good Corporate Governance can be found in the corresponding chapter of this Annual Report, and clearly states that the TUBACEX Group complies with practically all the existing recommendations in terms of good governance. It also lays out a commitment to continue incorporating into its activities all aspects that facilitate transparency in its management processes.

2.- CUSTOMERS

One of the sections in the TUBACEX mission statement indicates, "The people that make up this Group are committed to manufacturing and selling quality products with high value added and to becoming leaders in customer service. These are factors that set us apart." One of the company's mission statement pledges is to "provide satisfaction for our customers and exceed their expectations".

A relationship with the customer that is based on quality, service, cooperation and flexibility is, therefore, the pivot around which the Group's business rotates.

In addition to the constant contact customers enjoyed by the sales network, customer satisfaction surveys are also conducted every three years, whose aim is to fulfil the following objectives:

*To measure the level of customer satisfaction with the company's products and services.

*To make a comparison with the customer's other suppliers.

*To identify which product and service attributes are most important for our customers.

*To identify the customer's expectations.

*To design improvement plans and actions designed to increase customer satisfaction levels.

In addition to the survey, the company has also set out to confirm the opinions of customers by using objective indicators relating to the quality of the services TUBACEX provides.

Both the customer satisfaction survey and the measuring and monitoring of indicators derive from the Total Quality Management Programme the company has been developing and the latest edition of the ISO Standards. The latter require the setting up of a measurement system that enables an objective evaluation of performance in this area to be made.

3.- EMPLOYEES AND THEIR REPRESENTATIVES

Workforce

In 2007 the average size of the workforce in the companies that make up the TUBACEX Group was 1,909 persons. Of these, 1,206 people are employed at the Group's Spanish plants and 703 are employed in foreign subsidiaries.

The workforce increased by 138 people during 2007. The workforce increased by 10.3% at the Spanish plants and by 3.7% at the foreign facilities.

Sales per employee rose to €364,972, 19.9% up on the 2006 figure of €304,387.

Category	2007	2006	2005
Managers, engineers and graduates	125	107	105
Technical engineers, technicians and qualified staff	72	67	57
Administrative and shop floor managers	84	82	84
Unqualified assistants	60	59	57
Administrative personnel	160	161	155
Auxiliary personnel	4	6	17
Shop floor employees	1,404	1,289	1,153
TOTAL	1,909	1,771	1,628

Personnel expenditure

Personnel expenditure rose to €94.67m in 2007, compared to €85.36m in 2006.

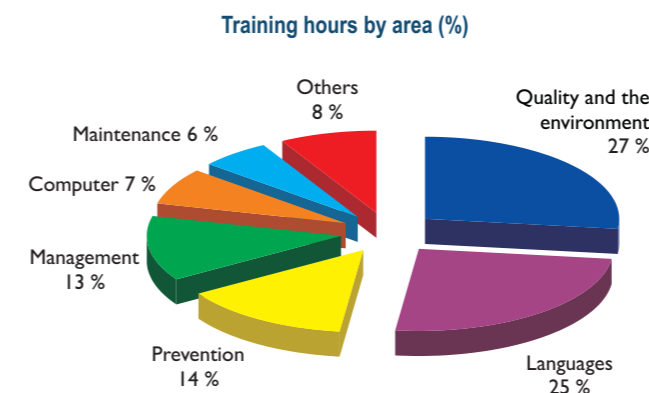
Item	2007	2006	2005
Wages, salaries and similar	70.53	62.39	57.53
Contributions to voluntary social welfare entities	1.99	0.94	1.05
Social security	19.39	19.08	16.12
Other social charges	2.11	1.49	2.97
Benefit contributions	0.63	1.46	4.89
TOTAL	94.67	85.36	82.56

Figures in millions of euros.

Training

In 2007 a total of 482 training courses were held in the Group's various companies and were attended by 3,442 people.

In total almost 28,000 hours of training were given, representing an increase of 8% over the total number of training hours for 2006. The number of training hours per employee amounted to 14.7 hours.



Among the training activities carried out in this financial year, the ones oriented towards developing management skills, leadership and personal development must be highlighted, with an overall view of the organisation, and whose purpose is to improve the managerial capabilities of the Group's middle and senior managers.

Like in previous years, the Company continued to openly offer training to all personnel interested in learning Basque and English. In addition, four open training actions were organised with a view to improving skills as regards the use of different computer programmes.

On its part, the Austrian subsidiary, Schoeller-Bleckmann Edeltahlrohr (SBER), intensified training in English and Spanish, as well as in quality and crane operation.

Training provided to workers by TUBACEX, whether inside the company or outside, is subject to a satisfaction survey. The average score for training activities resulting from this survey is 7.6 out of 10, with the following concepts being evaluated: contents, trainer, methodology and means, facilities, organisation and overall appraisal.

During the year TUBACEX allocated €1.06m to training, an increase of 29.3% on the figure for 2006. Over the last five years the company has invested a total of €4m in training for its employees.

	2007	2006	2005
Number of courses	482	431	341
Number of people attending	3,442	4,036	3,086
Number of training hours	27,992	25,925	24,859
Training hours per employee	14.67	14.63	15.27
Investment	1.06	0.82	0.77

Figures in millions of euros.

Recognition of professional competence

Since its creation, TUBACEX has been cooperating actively with the Basque System of Recognition of Professional Competence for workers at Tubacex Tubos Inoxidables and Acerálava, advertising the programme internally and issuing the relevant certificates.

Through this programme, the Basque Government, together with Occupational Training centres, wishes to provide workers who do not have qualifications with approved certification and accreditation of at least two years professional experience. In this way, their years of professional experience are placed on a level with official certificates in their corresponding speciality areas.

Substitution contract

In late 2002, the management of TUBACEX, TTI and Acerálava signed an agreement with all labour unions represented within the Group regarding the application of the substitution contract in these companies. By virtue of the agreement, which was applied during the period 2003-2005, some 93 employees were offered the opportunity to opt for partial retirement at the age of 60, with most of them deciding to accept it.

Later, the signing of the new collective agreement in April 2005 also extended the substitution contract to include the period 2006-2008. This new agreement affects approximately 100 employees who will be able to opt for partial retirement on reaching the age of 60, with endowment for costs in the 2005 income statement.

These agreements are in line with competitiveness and profitability improvement programmes currently being applied in the Group, which will help tailor the workforce and production structures to the required size and help the company to adapt to imminent technological challenges.

Furthermore, these agreements provide a response to social demand and show that significant progress is being made both in improving management and designing the future organisation of the companies, influencing fundamental aspects such as renewal, training and the raising of professional qualification standards among the workforce.



Collective agreement

The collective agreement that was signed in April 2005 with the workers' unions ELA-STV, CC.OO. and UGT, and was applicable to employees of Tubacex S.A., Tubacex Tubos Inoxidables S.A. (TTI) and Acería de Álava S.A. (Acerálava), expired on 31 December 2007. Consequently, the foundations for negotiating the new agreement were being laid during 2007.

Labour union representation

Since the last labour union elections, held in 2006 in Group companies Tubacex, TTI and Acerálava, there are five groups that represent labour unions. From greater to lesser number of shop stewards, these are: STAT, LAB, CC.OO., ELA-STV and UGT.

This corroborates the idea of free association that the Tubacex Group defends and which is clearly demonstrated in the labour union representation that exists.

Prevention of occupational hazards

The implementation of the Prevention of Occupational Hazards Programme, introduced in 1996 and based on the philosophy of integrated safety, continued at TTI and Acerálava during 2007.

Each year, the preventive action to be taken is identified and an Annual Management Plan is drafted, specifying objectives and the managers responsible for overseeing it. Since its introduction the Plan has involved a large part of the Company's human resources and a significant percentage of its material resources.

The Prevention Programme was implemented on 1,433 occasions in 2007, 42.6% more than in 2006 and obtained a compliance rate of 96.2% by successfully completing 1,379 actions and exceeding, as usual, the minimum compliance rate of 85%.

In the application of this Programme, more than 15,500 corrective and preventive actions concerning occupational safety were carried out between 1997 and 2007, involving an investment of €6.53m. Another important aspect is the training received by the workforce in occupational safety and prevention procedures, for which 34,354 hours of training were provided, with the participation of 6,797 persons, which means a rotation of almost ten times the average annual workforce of the two subsidiaries in that period.

New improvement targets have been set in the plants: reduction of accidents in certain departments, "zero water", "zero oil", etc. These targets were analysed by different working groups and documented in improvement programmes. As a result of this, initial and periodical information actions were established for the personnel involved in the problems of the challenge, of organisation

and technical means. All of them need to be consolidated throughout 2008 and several of them will continue into the future.

The potential risk of each accident has been assessed independently of the true consequences it gave rise to, using the criteria adopted in the Company, which follow the classification system of the National Safety and Health Institute Guide to carry out risk assessment.

In the plants as a whole, 94% of accidents considered were classed as insignificant or acceptable and only 6% were considered moderate or important. None of the risks identified could be classed as intolerable.

From the statistical analyses carried out, it must be highlighted that, like in the preceding year, 48% of all accidents and 46% of those that caused sick leave occurred as a result of handling materials. 28% of the injuries were caused by blows and 12% by trapping. Hands were the affected part in 33% of injuries caused.

Medical care

The company uses the services of a health insurance company, Mútua Asepeyo, to cover payments for accidents in the workplace and occupational illnesses. The company also has an annual contract with Mútua Asepeyo covering aspects such as the assessment of industrial hygiene and ergonomics in the workplace.

The Company has also signed agreements with Iguatorio Médico Quirúrgico and the Clínica Oftalmológica Baviera, allowing its employees to take advantage of special terms and conditions.

Although the Company's medical service is covered permanently for internal personnel, there is an action protocol by which treatment can be sought through the Mutua de Accidentes, the Clínica Intermutual or the

Spanish National Health Service hospitals in the event of serious accidents.

TUBACEX has permission to operate in accordance with article 53 of the Medical Services Code, enabling the company doctor to issue prescriptions on the Spanish National Health Service on the company's premises without the employee having to go to the local health clinic.

Moreover, specific medical checkups, taking into account job hazards, were carried out throughout the year, with specific protocols applied, such as blood and urine analysis and tests for early detection of prostate cancer. In the same way, medical examinations were given to new hirings prior to their incorporation, and to personnel returning after prolonged sick leave, in addition to periodical general check-ups, including analytical tests.

The medical services attended to 3,824 medical consultations and 5,422 infirmary cases during the year.

An influenza vaccination campaign was carried out in 2007, as was a campaign of anti-tetanus vaccinations, depending on exposure to risk. A diabetes prevention campaign was also launched during the year. On its part, the Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr carried out a vaccination campaign against flu and meningitis.

By applying articles 25 and 26 of the Occupational Hazards Prevention Act, the duties of protecting workers who are especially sensitive to certain hazards and who are pregnant are fulfilled.

Reception programme

Reception programmes are arranged by the Personnel Management and Organisation Department, with the main purpose of facilitating the gradual integration of new staff into the company.



These programmes are designed depending on the position that the person joining the company is going to occupy, and two basic types exist: individual programmes and collective sessions.

At the reception meetings organised, new entrants are provided with documentation on prevention, medical service, quality, environment, assessment criteria and Company Mission, while at the same time any doubts that might arise are clarified.

During 2007, collective reception sessions were carried out with 164 persons joining the production and maintenance departments, and 16 individual sessions were held for technical professionals or managers.

Communication with the workforce

TUBACEX has several upward and downward internal communication channels, among which we can highlight the following:

*Section and Shift Operational Meetings: there are three in each plant and three in the head office. They are attended by production and administrative personnel, coordinated by their superiors.

*Departmental Meetings: monthly, coordinated by the heads of department and attended by the persons with direct authority in the factories.

*Other meetings complete the communication chain: Management Committee, Management Operational Meeting and Plant Operational Meetings.

*Txosten: this is the name of an in-house journal whose purpose is to directly reach each and every one of the persons employed by the Company with information about important aspects of the Group's general operation. It appears on a monthly basis and is distributed together with employees' pay slips. In 2007, 14 issues were published.

*ECA cards: this refers to an upward channel for suggestions, implemented in TTI and Acerálava, which allows all employees to make improvement suggestions concerning their job and its environment. These suggestions are evaluated by the corresponding hierarchical structure, who decide about the suitability of their implementation.

4.- SOCIETY

Research and development

The Company's R&D activity focuses mainly on improving manufacturing processes, developing new types of high value-added steel and researching the application of products manufactured by the Group in new industrial sectors. The Company allocates around 3% of its turnover to quality control and R&D.

The most significant activities in this field during the year included continuation of the development of a tube with a high corrosion resistance for the oil and gas sectors, and development of new grades of steels and nickel alloys for use at high temperatures.

In addition, a cooperation agreement was signed with the University of Canterbury (New Zealand), which will be developed over the next three years and involves the participation of other industrial companies.

Fuller information about the R&D activities of the Company is provided in the Industrial Activity pages of this Annual Report.

Business philanthropy

During 2007 the company donated a total of €241,489 to a number of cultural, sporting and religious organisations, etc.

This amount includes the contributions made as study grants to cover the main expenditure of students on traineeship schemes in the Group.

The activities included in the Commemorative Events for the VI Centenary of Cancellor Ayala, one of the most outstanding historical figures of Álava, continued in 2007.

Likewise, the final events took place in the project to recover the collective memory of the locality of Llodio, carried out by the "San Roque Foundation" and supported by TUBACEX from the very beginning.

Several sporting activities have also received support, such as football or mountain walking, by financing the activities of several mountain walking clubs, as well as supporting the "1st Athletic Road Race in the Ayala Valley", for which TUBACEX was the main sponsor, and other sporting events carried out in the Company's area of influence.

In addition to cooperating actively in placing students in work experience schemes in its organisation, TUBACEX this year sponsored the first edition of the "Excellence award in the professional integration of young people" of the Novia Salcedo Foundation.

As it did for its setting up in 2004, TUBACEX has continued to support the Naturgintza Foundation, whose purpose is to preserve natural heritage and enable the population to enjoy nature. TUBACEX has collaborated with this programme since it was created, showing its commitment to the conservation and improvement of biological diversity.

Traineeships

TUBACEX has had a close relationship with diverse educational institutions, particularly those located within its area of influence, for many years. These relationships are set up on the basis of mutual benefit and materialised through temporary cooperation agreements for stays which range from three months to one year.

In implementation of the traineeship programme during 2007, the Company has cooperated with the following institutions: Zaroobe Institute in Amurrio, Municipal Vocational Training Centre in Llodio, Novia Salcedo Foundation, Deusto Business University, INSIDE, Bilbao Engineering Faculty of the University of the Basque Country (UPV) and the Basque Association of Economists.

Cooperation with the university and other institutions

In addition to the mentioned task of helping students gain work experience, several of the company's executives also work closely with university technical and business management faculties to apply TUBACEX's knowledge and experience in training the professionals of tomorrow.

To this effect, executives of the Company gave several seminars and classes on management, finances, a

coaching programme and an MBA programme at Deusto Business University during the year.

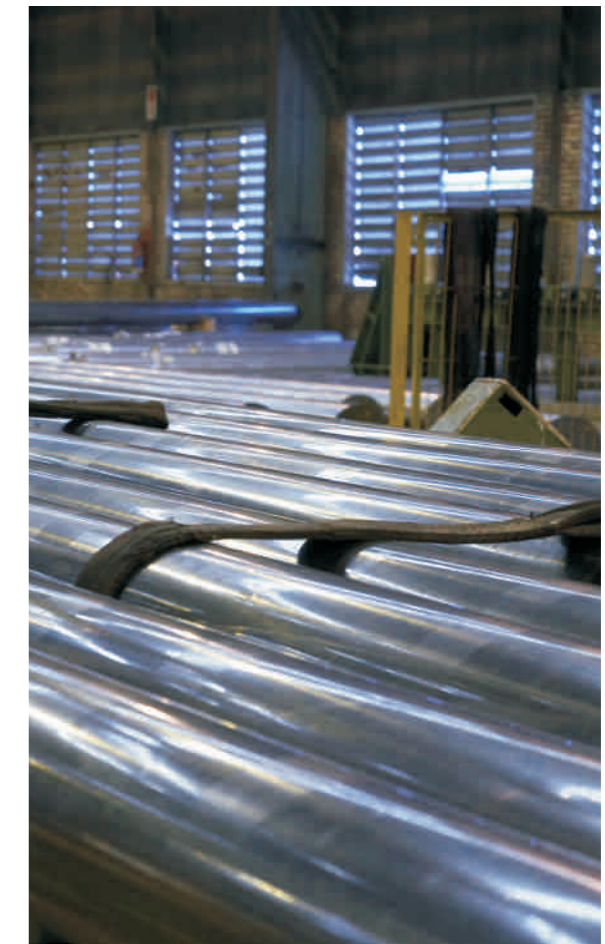
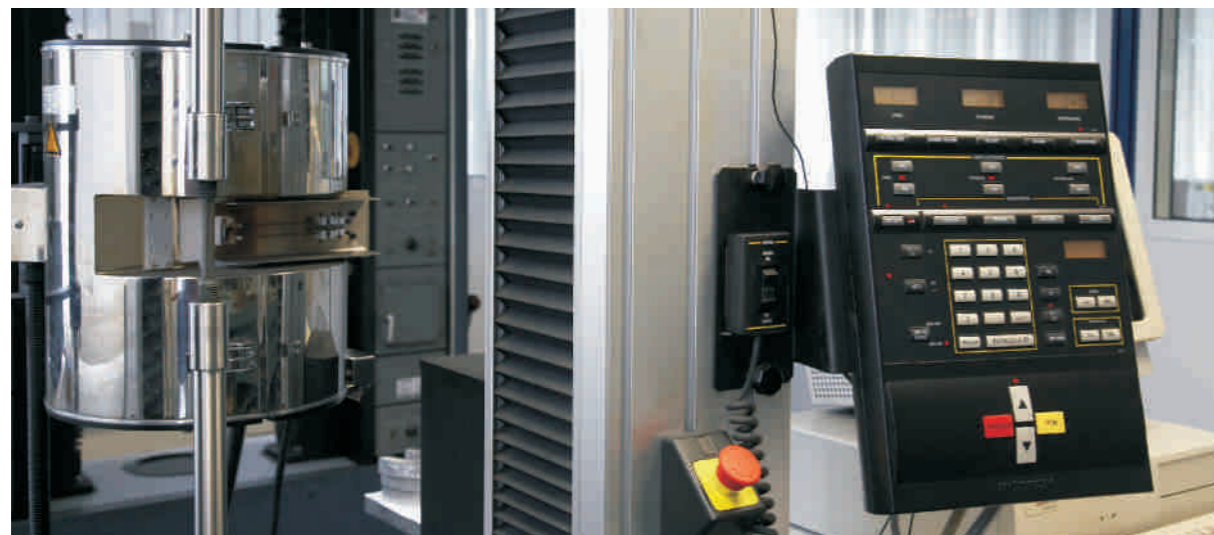
In the same way, TUBACEX took part as a speaker at the "2nd Steel Tube & Pipe Conference" in Düsseldorf, organised by Metal Bulletin, and at the conference on Innovation in the "6th Business Global Conference" programme, held in Bilbao.

Business associations

TUBACEX currently sits on the boards of the Basque Business Circle, and is also a member of the Álava Business Association (SEA), Union of Steelmaking Enterprises (UNESID) and the Association for Progress in Management (APD). It is also a member of the Plenary Assembly of the Alava Chamber of Commerce and of its Internationalisation Committee.

Through its subsidiaries, the company is also a member of several export company associations such as AGEX, SIDEREX and FLUIDEX.

On the other hand, TUBACEX subsidiaries belong to the Non-Destructive Tests Association (AEND), the Basque Logistics Institute (IVE) and the Association of High Energy-Consuming Companies (AEGE).



TUBACEX is also a member of the Knowledge Cluster in the advanced business programme.

Art collection

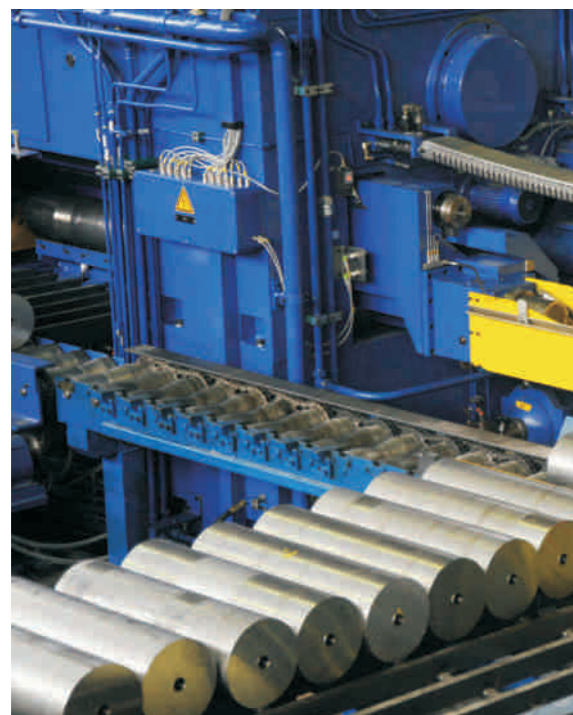
Since the 1980's TUBACEX owns an art collection that now consists of around a hundred works by a wide range of renowned painters, including Delacroix, Gericault, Miró, Tàpies, Tarkoff, de Kooning, Poons, Schnabel, etc.

As the company does not have the space or the resources to be able to exhibit the works on a permanent basis, it offered part of the collection to museums in the Basque Country, giving the public the chance to see the paintings in an appropriate setting.

On the occasion of the opening of the Guggenheim Museum Bilbao in 1997, the company deposited two works, by Antoni Tàpies and Julian Schnabel, with the museum. In 1999 an agreement for the cession of a further 18 works by artists such as Joan Miró, Willem de Kooning and Larry Poons was signed.

TUBACEX is also one of the Trustees of the Guggenheim Museum Foundation and a member of the museum's Art Committee, a commitment that was renewed during the year.

Moreover, since 2003 TUBACEX has been a corporate benefactor of the Artium Foundation at the Alava Museum of Contemporary Art.



5.- ENVIRONMENT

One of the priority strategies of TUBACEX in performing its business activities is to protect the environment. With this in mind, the Group is gradually introducing a system in each of its business units that minimises the environmental impact of its activities (waste, atmosphere, water, noise, energy, etc.). It hopes to achieve this by using clean, economically viable technologies and by implementing the necessary measures to prevent its operations, including emergency ones, from generating pollution.

Consequently, Tubacex Tubos Inoxidables (2001), Acería de Álava (2002) and Schoeller-Bleckmann Edelstahlrohr (2006) currently have certificates for Environmental Management Systems in accordance with ISO 14001 issued by an accredited standardisation and certification organisation. Therefore, the entire production process at the TUBACEX Group plants in Llodio, Amurrio and Ternitz (Austria), from reception of raw materials and production of stainless steel by Acería de Álava to dispatch of tubes manufactured by TTI and SBER, is backed by an organisation that accredits its environmental management systems.

In order to obtain these certificates it has been necessary to systematise environment-related activities, with active involvement of the workforce, which has required an extensive training programme in recent years, as well as a considerable investment, leading to a Group reduction of environmental hazards.

The basic projects aimed to obtaining integrated environmental authorisation for the production centres of Acería de Álava, TTI Llodio, TTI Amurrio and the Acería de Álava dump were prepared and presented during the year. These projects document the environmental situation of the activity and the improvements carried out in recent years as a result of the introduction and consolidation of environmental management and close cooperation with the public administration within the framework of the environmental agreements.

Recycling

As a steel manufacturer, Acería de Álava is obliged to conduct extensive recycling work. As a result steel – stainless steel in this case – is reused continually and natural resources are exploited on a smaller scale. In 2007 the company recycled 88,440 tonnes of scrap.

Integrated environmental permits

The documentation required by the public administration in the dossiers for integrated environmental permits was completed during 2007, because all TTI and Acería de Álava plants are affected by IPPC legislation and, therefore, must justify effective implementation of the best technologies available as regards control and reduction of environmental impact.

As a result of analysis carried out, different lines of investment have been provided in 2008, which will lead especially to better use of water.

Energy sources and saving

Wherever possible, Group companies use clean energy in their manufacturing processes.

At TTI electricity accounts for 52.3% of the energy used and natural gas for 47.4%, whereas only 0.3% comes from other energy sources. At Acería de Álava, meanwhile, electricity accounts for 58.7% of the energy used, natural gas 40.9% and other sources only 0.3%.

The fact that water is treated by an internal purification system and is then reused is also worthy of note. As well as reducing the impact on the environment, it also helps significantly reduce consumption of a resource that is now in scarce supply.

Investments

In 2007 investments in environmental equipment accounted for €6.82m, while another €1.53m was spent on other environmental expenditure, allocated chiefly to removal of acids, repairs and conservation, as well as to advisory and auditing services by independent professionals.

Agreement on environmental sustainability

In its capacity as a company in the Basque Country's steel production sector, Acería de Álava, S.A. has continued to honour the voluntary agreement signed with the Basque Government's Ministry for Regional Planning and the Environment, aimed at making environmental improvements within the autonomous community.



Likewise, Tubacex Tubos Inoxidables, S.A. has continued working in line with the Steel Sector Agreement, with the Basque Government's Ministry for Regional Planning and the Environment. The new agreement covers tube-pickling activities at the subsidiary's two plants.

In both cases the year ended with a satisfactory level of goals fulfilled.

Steel and the environment

Acería de Álava forms part of Steel and the Environment (ACYMA), an association comprised of all the Basque Country's steel manufacturers. One of its main functions is to ensure that the environment is correctly managed along with industrial waste produced in the sector.

The companies in this association are committed to the strategic principle of sustainable development, which seeks to make the manufacture of steel products compatible with respect for the environment and improved quality of life.

Others

Tubacex participates in the Llodio Environmental Forum.

6.- SHAREHOLDERS AND INVESTORS

Shareholder structure

As recorded in the Spanish National Stock Market Commission (Comisión Nacional del Mercado de Valores - CNMV), as at 31 December 2007 the main stockholdings belonged to Larreder S.L. (18.09%), Atalaya Inversiones S.R.L (5%) and to Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra (5%).

As at 31 December 2007, the number of TUBACEX shares held by Group companies was 1,915,306, a figure that represents 1.44% of the capital.

Value creation

The TUBACEX corporate strategy seeks to create value for the shareholder, as stated in the Code of Conduct for the Board of Directors, whose actions should be governed at all times by this principle.

Financial analysts

The economic and stock market evolution of TUBACEX is habitually followed by several Spanish and foreign market analysts and stockbrokers, with whom the Company is in close communication through its Investor Relations Office. At year-end closing in 2007, fourteen market analysts and stockbrokers issued reports with recommendations regarding the Company's shares.

The Shareholders and the Stock Market section of this Annual Report gives details of the reports published about the Company during the year.

7.- COMMUNICATION

Transparency is one of the essential dimensions of Corporate Social Responsibility. Consequently, TUBACEX bases its communication with shareholders, the stock market, customers and, in general, the society in which it operates, on transparency.

Information for shareholders

The Shareholder Office, created in 1998, responds to requests for information about the Company from shareholders and investors. This Office also deals with requests for information received from stockbroking companies and financial analysts wishing to write reports on the Group. Throughout the year a large number of inquiries were received by telephone, e-mail and surface post.

Moreover, TUBACEX has been publishing a quarterly Shareholders' Information Bulletin since 1997. The Bulletin is distributed by e-mail and surface post. It is also uploaded onto the Company's website. The Bulletin contains the Company's quarterly statements, as well as

stock market information and any interesting news occurring during the quarter.

Information to analysts

The Company communicates with stockbrokers and analysts mainly through its Investor Relations Department.

The Company attends to financial analysts by telephone and visits are also arranged to TUBACEX offices and vice versa. In their dealings with TUBACEX, analysts are provided with the requisite information on the Company at all times (company presentations, annual reports, interim financial statements, etc.), enabling them to compile reports on TUBACEX using the most accurate information at hand.

Visits are also arranged to production plants if requested or if new facilities or machinery have been installed.

Information for investors

Being well aware of the importance of direct contact with fund managers, TUBACEX, to enable them to obtain greater in-depth knowledge of the Company, held meetings with more than 150 investors in 2007. These meetings were of several kinds (sectorial conferences, SME conferences, road-shows, etc.) and have led to the Company being presented in a host of cities such as Madrid, Frankfurt, Amsterdam, Brussels, London, Paris, Lisbon, Barcelona and Andorra. Furthermore, conference calls and videoconferences have enabled us to have direct contact with fund managers worldwide from our head offices in Llodio (Spain).

Website

The Company has a regularly updated website (www.tubacex.com) containing a large amount of information. The website is available in Spanish and English and is structured into four different sections: general, commercial and financial information, and information for shareholders and investors.

The information on the website is targeted at two main groups: customers, and shareholders and investors.

As regards the former, customers, the TUBACEX website provides commercial information on the Group and each of its subsidiaries, in addition to catalogues for the different products manufactured or sold within the various company areas.

For the latter, shareholders and investors, the website provides detailed information on developments with regard to the Company's main economic data: sales, profits, cash flow, etc. It also features the balance sheet and the profit and loss account for the consolidated Group and for each of the subsidiaries. All the information in the Annual Accounts is available on the company's website, along with

the company's share price on the stock exchange.

The website also features an extensive amount of information on the company, focusing on the Board of Directors (composition, functions, committees, etc.), its By-Laws the Codes for the Board of Directors and Annual General Meeting of Shareholders as well as the Annual Report on Corporate Governance and other issues.

It also boasts a news section where the latest press releases sent by TUBACEX to the media can be accessed.

The website has a Shareholder's Letterbox and a Customer's Letterbox, providing a direct link with the Shareholder's Office, the commercial department or the customer service department respectively.

The website also features an employment page where the company announces job vacancies and potential employees can send in their CVs.

The media

TUBACEX enjoys a close relationship with the media, allowing it to keep its target audience informed of the latest developments at the company.

In view of the company's activity, its high-profile presence abroad and the fact it is quoted on the stock exchange, TUBACEX is in contact with a wide range of publications: national and international news agencies, national and international financial newspapers, local newspapers, national and regional dailies as well as general-interest, financial and specialised magazines, not to mention TV and radio and digital publications.

Throughout financial year 2007, articles about TUBACEX have appeared in the written media on more than 1,120 occasions.

At least one press conference is held each year, when the results of the Annual General Meeting of Shareholders are presented, not only providing information on the previous year, but also making a forecast for the current year and highlighting other points of interest and the latest company news. The company also gives press conferences when other important information needs to be made public.

Throughout the year TUBACEX issues several press releases, although the total number varies from year to year. All press releases are translated into English and uploaded onto the website in both English and Spanish.

8.- SUPPLIERS AND CONTRACTORS

The TUBACEX Group bases its relationship with suppliers on the principles of quality, service, transparency, efficiency and financial prudence.

Throughout 2007 the Group spent a total of €441.8m on supplies and purchases.

The majority of this expenditure went on the procurement of the raw materials needed to carry out its activities, mainly stainless steel scrap, nickel and other metals used to manufacture stainless steel, such as chrome and molybdenum.

