



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.

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.

*Growing concerns with regard to damage caused to the environment by industrial activity.

*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, 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 is 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 and environment 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 in all its forms, including extortion and bribery.

This Report on Corporate Social Responsibility aims to summarise and clearly explain the steps that the TUBACEX Group has taken in this field.

1.- GOOD GOVERNANCE

TUBACEX was one of the first Spanish companies to introduce good governance guidelines to 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 centre 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.

Since 1998 TUBACEX has had a Board of Directors Code Aligned to the Good Governance Code 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.

TUBACEX's current Annual Report on Corporate Governance fully complies with the requirements set out in Circular 1/2004 issued by the National Stock Market Commission on 17 March 2004, concerning the "Corporate Governance Annual Report of public limited companies listed on the stock market and other bodies that issue stocks negotiable on official secondary markets and other means of information used by public limited companies listed on the stock market".

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 fully complies with the existing recommendations in terms of good governance. It also lays out a commitment to continue incorporating activities that facilitate transparency in its management processes.

2.- CUSTOMERS

One of the sections in the TUBACEX mission statement states, "The people that make up this Group are committed to manufacturing and marketing quality products with high added value and to becoming leaders in customer service. These are factors that set us apart." One of the Company' 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 enjoy with 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

Workforce

In 2006 the average size of the workforce in the companies that make up the TUBACEX Group was 1,771. Of these, 1,093 people are employed at the Group's Spanish plants and 678 are employed in overseas subsidiaries.

Category	2006	2005	2004
Managers, engineers and graduates	107	105	71
Technical engineers, technicians and qualified staff	67	57	94
Administrative and shop floor managers	82	84	73
Unqualified assistants	59	57	53
Administrative personnel	161	155	165
Auxiliary personnel	6	17	12
Shop floor employees	1,289	1,153	1,049
TOTAL	1,771	1,628	1,517

The size of the Group's average workforce rose by 143 over the year. The workforce in Spain increased by 13.4% and by 2% overseas.

Sales per employee rose to €304,389, 15.1% up on the 2005 figure of €264,435.

Personnel expenditure

Personnel expenditure went up to €85.36m in 2006, as apposed to the figure of €82.55m for 2005. This 3.4% increase is explained by the inclusion in 2005, under this item on the income statement, of approximately €5m allocated to make provision for substitution contracts to be applied in the 2006-2008 period at Tubacex S.A., Tubacex Tubos Inoxidables S.A. and Acería de Álava S.A.

Concept	2006	2005	2004
Wages, salaries and similar	62.39	57.53	50.33
Contributions to voluntary social welfare entity	0.94	1.05	2.42
Social security	19.08	16.12	15.22
Other social charges	1.49	2.97	2.32
Benefit contributions	1.46	4.89	0.44
TOTAL	85.36	82.56	70.73

(in millions of euros)

Training

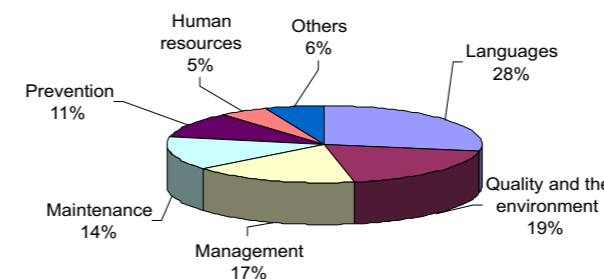
In 2006 a total of 431 training courses were held in the Group's various companies. The courses were attended by a total of 4,036 people.

In total almost 26,000 hours of training were given, representing an increase of 4.3% over the total number of training hours for 2005. The number of training hours per employee amounted to 14.6 hours.

	2006	2005	2004
Number of courses	431	341	244
Number of people attending	4,036	3,086	2,246
Number of training hours	25,925	24,859	21,791
Training hours per employee	14.63	15.27	14.36
Investment	0.82	0.77	0.67

Investment figures in millions of euros.

The most significant training sectors during the year were languages, which accounted for 28% of the total hours, followed by quality and the environment (19%), management (17%), maintenance (14%) and prevention (11%).



One of the most significant training activities engaged in last year was the introduction of a course entitled "Technical training for non-technical personnel", aimed at new hiring at the head office and whose main objective was for non-technical professionals to be better informed about TUBACEX processes, products and customers.

Moreover, training activities took place to provide workers who hold jobs that require official qualifications from the Spanish Association for Non-Destructive Test to obtain the necessary certification.

At TTI and Acerálava, intensive training in languages like Chinese, English, French, German and Italian must be highlighted. And, like in previous years, the Company continued to openly offer training to all personnel interested in learning Basque and English.

The Austrian subsidiary, Schoeller-Bleckmann Edelstahlrohr (SBER), meanwhile, emphasised training in English and Spanish, as well as in quality and crane operation.

Training given to workers, whether inside the Company or outside, is subject to a satisfaction survey. The average score for training activities resulting from this survey is 7.8 out of 10, with the following concepts being evaluated: contents, trainer, methodology and means, facilities, organisation and overall appraisal.



In addition, training is also the subject of a usefulness survey, trying to check whether the training activity meets the needs that brought about its initiation. The average obtained in 2006 was 3.6 out of 5.

During the year TUBACEX allocated €0.82m to training, an increase of 6.5% on the figure for 2005. Over the last five years the Company has invested a total of €3.62m in training for its employees.

Recognition of professional competence

TUBACEX cooperates actively with the Basque System of Recognition of Professional Competence for workers at Tubacex Tubos Inoxidables y Acerálava.

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 workers' 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.

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

In April 2005, a collective agreement was signed with the trade unions ELA-STV, CC.OO. and UGT, and is to be applied to employees of Tubacex S.A., Tubacex Tubos Inoxidables S.A. (TTI) and Acería de Álava S.A. (Acerálava). This agreement is valid until 31 December 2007 and lays the foundations for the development of the Tubacex Strategic Plan 2010 with good labour relations very much to the fore.

Labour union representation

In late 2006 labour union elections were held in Tubacex, S.A., Tubacex Tubos Inoxidables S.A. y Acería de Álava S.A. Results obtained show that there are currently five groups with labour union representation, which are ELA-STV, CC.OO., UGT and LAB, which all already existed previously, together with a new labour union grouping particular to Tubacex, called STAT.

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 2006.

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.

During the course of 2005 an in-depth analysis of the existing programme was conducted with a view to adapting it to the international OHSAS 18001 Standard, marking the beginning of a new phase in the drive towards obtaining ISO certification. The programme currently consists of 18 activities (as opposed to the previous 16 activities) following the incorporation of non-conformity and internal auditing procedures.

The 2006 Prevention Plan consisted of 1,005 actions, and the compliance rate achieved was 95%, therefore exceeding the strategic objective of achieving a minimum compliance rate of 85%.

*First aid training is ongoing both at the Spanish plant and at the Austrian subsidiary, with qualified first-aiders being retrained and new staff receiving training.

*Training in emergency procedures has been completed.

*With regard to the Health Monitoring Programme, medical check-ups were conducted according to a specific protocol based on the risks of each job. 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.

In TTI and Acerálava as a whole, 987 hazards were identified through the activities of the said Programme, and plans were made to implement more than 1,000 corrective actions during the year. Of this figure, 812 corrective actions were undertaken in the year, at a cost of over 296,000 euros.

With regard to accident rates, the downward trend experienced in the total number of accidents since the Programme was introduced continued in 2006, with important reductions achieved in both TTI and Acerálava in relation to the target set.

The potential risk of each accident was evaluated and 98% of accidents considered were described as "insignificant" or "acceptable" in both TTI and Acerálava.

As in previous years, most accidents occurred as a result of handling materials, with 32% being caused by blows and the affected part in 33% of injuries being hands, with extreme efforts having been reduced enormously.

In late 2006, the second legally required audit of the Prevention Programme was carried out, at the same time as a preliminary voluntary audit for certification in accordance with the OHSAS 18001 Standard, in which for the second time no nonconformities were detected. To this effect, the excellent appraisal of the overall effectiveness of the system by the auditing body stands out, as they considered its level to be high and its integration into the overall management of the Company to be well above average. TTI and Acería de Alava are the first companies in which no nonconformities have been found.

In accordance with Article 25 of the Occupational Hazards Prevention Act, which establishes the duty to protect workers especially sensitive to certain hazards, a procedure was drawn up in 2005 and a joint sub-committee was set up to regulate actions to protect such workers, composed of the Prevention Department on behalf of the Company and prevention delegates representing workers.

Thus, when persons specially sensitive to their job hazards are detected, and no necessary measures can be taken to avoid exposure to the hazard through working conditions or on the time of exposure, the Head of the Medical Services recommends to the Personnel Management Department that these persons be changed to other jobs. The Sub-committee analyses each case and proposes the job change to the Management. Five cases were analysed during 2006 and one person changed job.

Moreover, in application of Article 26 of the Occupational Hazards Prevention Act, imposing on the Company the duty to protect maternity, the protocol that regulates actions to protect maternity was implemented in 2005. When a pregnant worker considers that her job might have some negative influence on the correct development of her pregnancy, she must notify the Head of Medical Services in the Company. If there are no jobs compatible with the condition of pregnant workers, and after a report from the Head of Medical Services, the worker can request maternity leave in the INSS (Spanish Social Security) due to the hazard situation. In 2006, five workers requested maternity leave for this reason. In all cases the Company pays a 25% supplement so that they receive 100% of their salary.

Medical care

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

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



The Company's medical service has a morning duty officer who attends each of the Company's preventative medicine and welfare clinics on an alternate basis. There are also three nursing assistants working in morning, afternoon and night shifts at each of the clinics. Specific medical examinations are carried out depending on the hazards of each job.

Although the service is covered permanently, there is an action protocol by which treatment can be sought through the Mutua de Accidentes, the Clínica Intermutual or Spanish National Health Hospital Services 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.

Some of the training actions conducted in 2006 are as follows:

*Life-saving courses attended by 47 people.

*Drug awareness and prevention courses, in which 51 people took part.

*The courses to help people quit smoking continued, with 8 participants this year. Since November 2003, 87 people have taken part in these groups, of whom 41 have not smoked since.

*Medical Service staff have received training in CPR (Cardiopulmonary Resuscitation).

On its part, the Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr carried out a vaccination campaign against flu and meningitis.

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.

Individual programmes are designed in greater detail in cooperation with the superiors of the person joining, they usually last an average of three weeks and include meetings with the different departmental managers, introduction to their respective teams and visits to the production plants and main facilities. In some cases, the programme is complemented with visits to domestic or foreign subsidiaries.

Once the reception process has finished, each person fills in an assessment questionnaire on the process, which will enable different aspects to be improved with a view to the future.

The collective reception sessions are addressed to persons who take jobs in the production and maintenance divisions. At these sessions, which are organised prior to their incorporation and carried out at the head offices, general information is provided about the Company, personnel management, prevention and medical service, quality and the environment.

These meetings are also used to distribute documentation about prevention, medical service, quality, the environment, assessment criteria, the Mission and to take advantage to solve any doubts participants might have in advance. In the same way, at this session a DVD is shown to explain the production process, to give an overview of the Company's situation and other matters of interest.

Communication with the workforce

The Company has several internal communication channels established, 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 its general operation. It appears on a monthly basis and is distributed together with employees' pay slips. In 2006, 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, which decides about the suitability of their implementation.

*In August 2006, the Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr held a festive day for its workers and their families.

4.- SOCIETY

Research and development

The Company's R&D activity focuses mainly on improving manufacturing processes, developing new types of high added-value 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.

Among the most significant activities in this area during the year was the continuation of the OCTG project and the process improvement project for steels stabilised with titanium in collaboration with Labein technological research centre.

The programme carried out in cooperation with CEIT to improve heat treatment processes at TTI and Acerálava also culminated during this year.

In turn, a three-year cooperation agreement was signed with the same institution in early 2007, with the aim of carrying out an improvement project on steels for use at high temperatures.

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



Business philanthropy

During 2006 the Company donated a total of €182,303 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.

Activities included in the project of the "San Roque Foundation" in Llodio were carried out during 2006. This Foundation, supported by TUBACEX, seeks to promote the social process of reconstructing the historical memory of the municipality for later dissemination among its citizens.

Likewise, in 2006 the Company collaborated with the Town Council of Amurrio in the construction of a carillon (set of bells) for the locality.

Furthermore, TUBACEX has decided to support the holding of Commemorative Events for the VI Centenary of Canciller Ayala, one of the most outstanding historical figures of Álava.

Traineeships

TUBACEX has ongoing stable relationships with diverse educational institutions, particularly those located within its area of influence. 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.



Some of the activities carried out in 2006 are listed below:

*Eleven pupils from vocational training centres in Vizcaya and Álava (with priority for the Zaraobe Institute in Amurrio and Municipal Vocational Training Centre in Llodio) took part in work experience programmes at the TTI and Acerálava plants, especially in the maintenance, tooling and laboratories departments.

*Four young people have obtained work experience through cooperation agreements with the Novia Salcedo Foundation, whose missions include the labour insertion of young people.

*Four final year students from the Deusto Business University had full-time traineeships by virtue of a cooperation agreement signed by the Company and the University.

*Four students from different technical faculties of the UPV and ESIIDE carried out final projects and obtained work experience on different aspects of TUBACEX.

*One student from the Basque College for Economists had a traineeship in the Administration and Finance Department.

*As has become habitual, a student on the Master in Human Resources at the Deusto Business University holds a traineeship in the Personnel Management and Organisation Department of TTI and Acerálava.

Cooperation with the university and other institutions

In addition to helping students gain work experience, 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.

The following activities were carried out during the year for this purpose:

*Participation as speakers in a seminar on the subject "Going Deeper into Management Control", organised by Management Solutions for 4th year students at Deusto Business University.

*Participation of the President of TUBACEX in different presentations on business strategy for postgraduate students at Deusto Business University.

*Participation as speakers in a seminar on "Management Styles and Organisational Culture" organised for students at Deusto Business University.

*Presentation by the President for 2nd year students at Deusto Business University.

*Providing assistance for students at Deusto Business University to conduct a project on valuation of a listed company.

*Providing assistance for students at Deusto Business University to conduct a project on Corporate Social Responsibility.

*The President of the Company took part as a speaker at different domestic institutions to raise awareness about interesting aspect of TUBACEX management.

*Open day for 30 students from the University of Mondragón (Gipuzkoa) and 50 students from the University of Puertollano (Ciudad Real), during which they visited facilities and the complete production process was explained to them.

*Open day at the Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr, attended by the Mayor of Ternitz and members of the government of the province of Lower Austria.

Awards and recognition

TUBACEX received the "Prince Philip Award for Business Excellence 2006-2007" in the "Internationalisation" category. According to the Panel that judged the 11th edition of the Prince Philip Award for Internationalisation, TUBACEX was the winner due to its clear international vocation, because it is one of the world leaders in the steel production sector, and especially due to its outstanding level of assets in the U.S.A. and Austria.



On its part, the Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr was awarded the Austrian Ministry of Economy prize "Ausbildertrophy: Trainers' Prize" in acknowledgement of the excellent training given to apprentices. To date, only 50 companies have received this recognition in Austria.

With regard to hazard prevention, Tubacex Tubos Inoxidables and Acerálava received the MAPE Safety Award for Excellence in labour protection management.

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), the National Association of Manufacturers of Capital Goods (SERCOBE) and the Association for Progress in Management (APD). It is also a member of the Executive Committee of the Alava Chamber of Commerce.

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

TUBACEX is also a member of the knowledge cluster in the Advanced Business Programme.

Art collection

In the late 1980's TUBACEX started building up an art collection that now consists of around a hundred works by a wide range of 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 of the Basque Country, giving the public the chance to see the paintings in an appropriate setting.

To celebrate the opening of the Guggenheim Museum Bilbao in 1997, the Company donated two works, by Antoni Tàpies and Julian Schnabel, to the museum. In 1999 an agreement for the donation of a further 18 works by artists such as Joan Miró, Willem de Kooning and Larry Poons was signed with the museum.

TUBACEX is also one of the patrons of the Guggenheim Museum Foundation and is a member of the museum's Art Committee.

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

The Company does not rule out further agreements with other museums in the Basque Country regarding the donation of paintings for exhibitions.

5.-THE ENVIRONMENT

In going about its business activities one of TUBACEX's main strategies 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.

Both Tubacex Tubos Inoxidables (2001) and Acería de Álava (2002) have now implemented an ISO 14001-compliant Environmental Management System certified by the Spanish Association for Standardisation and Certification (AENOR). With the award of this certificate, environmental management of the entire production process at the TUBACEX Group's Llodio and Amurrio plants, from the reception of raw materials and the production of stainless steel at Acería de Álava to the shipment of finished manufactured tubes from TTI, has now been endorsed by an accreditation body.



The Group's Austrian subsidiary Schoeller-Bleckmann Edelstahlrohr has obtained ISO 14001 certification for the manufacture and sale of tubes at its factory in Ternitz (Austria).

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.

During the financial year, after adaptation of facilities to existing environmental requirements carried out in recent years and certification and consolidation of Environmental Management Systems, the basic projects have been prepared and presented with a view to obtaining Integrated Environmental Authorisation for the production centres of Acerálava, TTI Llodio, TTI Amurrio and the Acerálava dump. This new authorisation will mean a

complete review of the environmental aspects of activity and verification that the best available technologies from the environmental point of view are being applied.

Details of Group activities on this subject are contained in the Environmental management" section of the Management Report.

Recycling

As a steel manufacturer, Acería de Alava 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 2006 the Company recycled 84,650 tonnes of scrap.

Energy sources and saving

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

At TTI electricity accounts for 54% of the energy used and natural gas for 45.8%, whereas only 0.2% comes from other energy sources. At Acería de Alava, meanwhile, natural gas accounts for 58.1% of the energy used, electricity 41.5% and other sources only 0.4%.

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 to reduce consumption of a resource that is now in scarce supply.

Investments

In 2006 investments in environmental equipment accounted for €6.65m while another €1.39m was spent on other environmental expenditure.



As a pilot experience, the facility to regenerate pickling baths at the TTI plant in Amurrio was put into operation. Once consolidated, it is intended to extend this technology to other production centres in the Group. This new facility means significant environmental improvement due to reductions in consumption of raw materials and production of waste.

Withdrawal of equipment containing PCB's is continuing, in accordance with the new RD 228/2006 regulation.

Agreement on environmental sustainability

In its capacity as a company in the Basque Country's steel production sector, Acería de Alava, 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, in line with the Steel Sector Agreement, Tubacex Tubos Inoxidables, S.A. has signed a voluntary agreement for the Surface Treatment Sector 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 Alava forms part of Steel and the Environment (ACYMA), an association comprised of all the Basque Country's steel manufacturers. One of its chief 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 2006 the main stockholdings, excluding members of the Board of Directors and the

treasury stock, belonged to Atalaya Inversiones S.R.L (5%) and to Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra (5%).

In the same way, the main stockholdings held by members of the Board of Directors are those belonging to Zoco Inversiones S.R.L. (3.04%) and Bagoeta S.L. (5.02%), with shares belong to the remaining Board members totalling 0.14%.

As at 31 December 2006, 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 aims to create value for the shareholder.

A series of ratios regarding the Company's profitability in 2006 and 2005 is listed below, together with aspects related to the performance on the stock market.

	2006	2005
Profitability by dividend	1.57%	1.42%
Profitability by stock market revaluation	38.0%	89.4%
Total return for the shareholder	39.6%	90.8%
Dividend / Profits (Pay-out)	40.0%	50.0%
Profit per share (PPS). Euros gross	0.233	0.191
Year end listed price / PPS (PER). Times	21.23	18.73
Shareholder structure: % free-float	85.4%	92.3%
Contracting volume (Millions of shares)	263.34	202.33
Contracting volume (Millions of euros)	1,214.27	593.62
Turnover of share capital	198%	152%
Stock market capitalisation. (Millions of euros)	656.92	476.06

Financial analysts

The TUBACEX market and economic performance is regularly followed by various Spanish and foreign stockbroking companies and financial analysts, with whom there is a close relationship through the Shareholder's Office and the Department of Investor Relations.

The Shareholders and Investors section of this Annual Report gives details of the articles published about the Company during the year.

7.- COMMUNICATION

Transparency is one of the essential pillars 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 Newsletter since 1997. The Newsletter is distributed by e-mail and surface post. It is also uploaded onto the Company's website, where it is in the public domain. The Newsletter 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 120 investors in 2006. These meetings were of several kinds (sectoral conferences, SME conferences, road-shows, etc.) and have led to the Company being presented in a host of cities such as Madrid, Frankfurt, London, Paris and Porto. 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 marketed within the various company areas. Contact names and e-mail addresses for the Company head office and sales offices are also provided.

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.

TUBACEX periodically performs statistical studies regarding visits to the website, with the aim of continuously improving both the quantity and the quality of the information provided. This has made it possible to verify the important increase in the number of visits during the year (chiefly on special occasions such as the Annual General Meeting of Shareholders, corporate presentations, publication of profits, etc.), as well as greater internationalisation, with Spanish and American visits being clearly predominant. In addition, new sections like "Want to join us" (channelling job offers) or "Localization" (making it easier to reach our head offices) have been used by a great many internet users.

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 overseas 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 2006, articles about TUBACEX have appeared in the media on more than 180 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 2006 the Group spent a total of €321.6m 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.

