



The financial year 2005 represented a landmark in TUBACEX's history as the company recorded its highest ever sales, profits and cash-flow figures. Three major factors in the achieving of these results were the favourable market situation in terms of demand for seamless stainless steel tubes, the implementation of the Competitiveness Plan that the company has been working on since 2003, and the launch of the new Strategic Plan at the end of 2004.

The most significant financial data from the year is as follows:

*Consolidated sales amounted to €430.50m, 23.9% up on 2004.

*The consolidated operating profit (EBIT) rose to €37m, a 47.6% increase on the previous financial year, when operating profits totalled €25.06m.

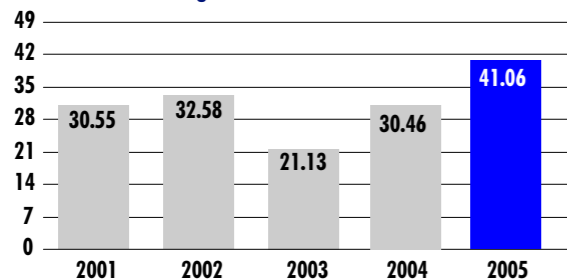
*The net consolidated profit was €25.42m, which represents an increase of 65.3% on the 2004 figure of €15.38m.

*Consolidated net cash-flow went up to €41.06m, an increase of 34.8% on the previous financial year, when the figure was €30.46m.

The economic situation

The global economic recovery that began in 2004 continued last year and was founded mainly on growth in the United States and China, which has now become the world's fourth-largest economic power. More moderate growth was recorded in the European Union, however.

Progress of net cash-flow
Consolidated. Figures in millions of euros.



The recovery of the international economy was felt in the company's areas of activity and manifested itself in increased demand for seamless stainless steel tubes.

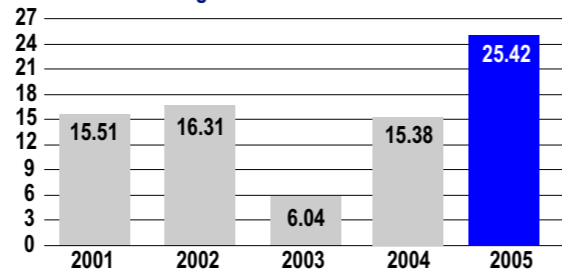
The economic revival combined with high oil prices to reactivate a significant number of investment projects in key sectors in

terms of tube demand, such as oil and gas, petrochemicals, chemicals and energy. This brought with it an increase in demand and higher prices for the products manufactured by the Group.

As a result of this renewed market strength, TUBACEX's sales figures for 2005 amounted to €430.50m, an increase of some 23.9% on the previous year. This upturn occurred in all markets but proved especially significant, due to their relative importance, in Europe and the US where a large increase in demand for tubes for new investment projects was noted.

The Asian market also continued to expand, particularly in China and India, which is acquiring increasing specific importance as a market for the company's products.

Progress of net profit
Consolidated. Figures in millions of euros.



The weakness of the dollar

The behaviour of the currency markets is continuing to have a negative impact on exports for European companies, with the Euro remaining strong against the dollar.

Although the favourable market situation has partly compensated for this, the weakness of the dollar, which dates to 2001, is hampering sales for European manufacturers both in North America and in other areas where demand for products manufactured by TUBACEX is even higher. At the same time, it has also indirectly assisted companies operating in emerging economies, particularly in Asia where labour costs are low and currencies are performing in much the same way as the dollar.

Raw materials

The price of the raw materials the Group uses, mainly stainless steel scrap and nickel, rose sharply again in 2005 in response to an increase in world demand and the spectacular growth in stainless steel production in China. Raw materials prices remained at structurally high levels throughout the year driven by intense speculative activity.

As a consequence, the average price of nickel – a basic element in the manufacture of stainless steel – rose by 6.7% in 2005 to \$14,744 a ton. Scrap prices went up 5.5% in 2005.

Increased profits

2005 saw TUBACEX record a net profit of €25.42m, 65.3% up on the previous year.

The strength of worldwide demand for seamless stainless steel tubes and the implementation of the Competitiveness Plan that the company has been developing since 2003 have been decisive factors in these results. In applying its competitiveness policy, which is based on the rigorous selection of future investments, TUBACEX has been working hard to reduce costs and optimise the Group's industrial facilities with a view to increasing productivity.

*Consolidated sales went up by 23.9%
*2005 was TUBACEX's best ever financial year

Thanks to the high levels of competitiveness reached by the company, it was able to record operating profit, net profit and cash flow to sales figures of 8.6, 5.9 and 9.5% respectively.

As of 31 December 2005 the company's net equity stood at €206.02m, some 45.1% of its total liabilities.

Results of subsidiaries

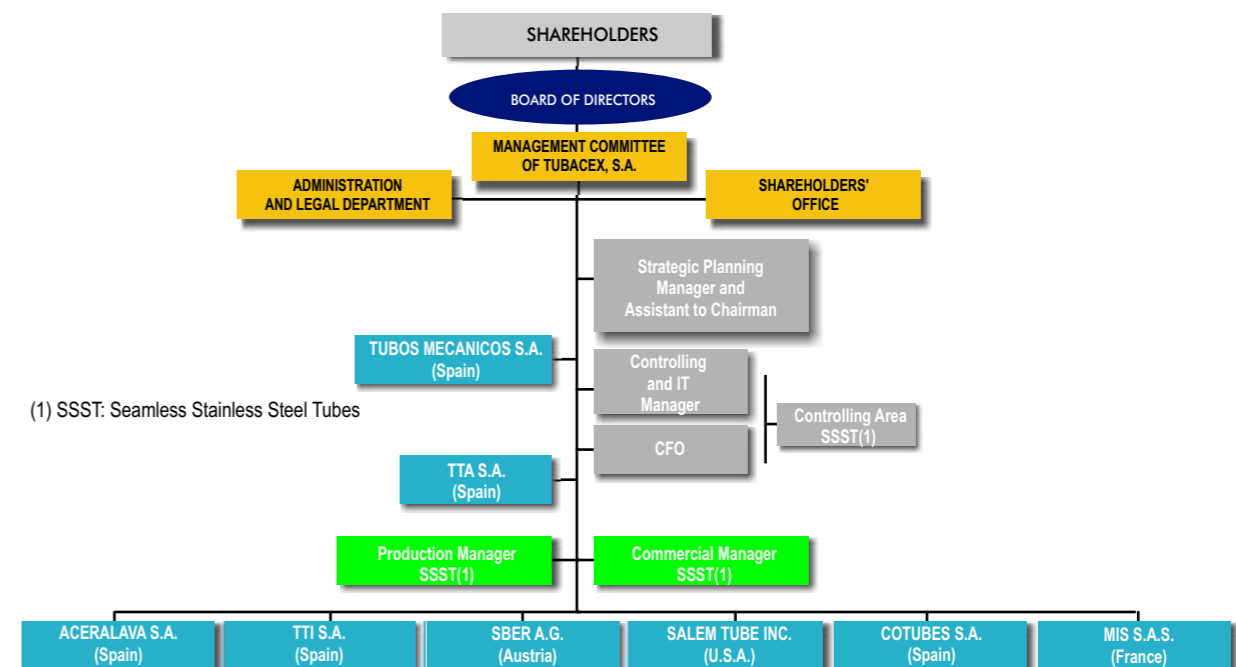
2005 proved to be an extremely positive year for the Group's subsidiaries, which recorded significant increases in sales figures and profits, most of them the highest ever in their history.

The Group's Europe-based industrial subsidiaries performed particularly well overall and registered considerably higher sales, profits and cash-flow figures.

The North American subsidiary Salem Tube achieved its best ever results in terms of sales volume and profits since becoming part of TUBACEX Group in 1995.

Leading the way among the trading companies was Tubos Mecánicos Group, which continued to post extremely impressive profits. The French subsidiary MIS, which markets tubes and was taken over at the end of 2004, also performed very well in its first financial year as part of TUBACEX Group.

ORGANISATIONAL STRUCTURE OF THE TUBACEX GROUP



(1) SSST: Seamless Stainless Steel Tubes

*Net profits up 65.3% over the financial year

*Net cash-flow totalled €41m

Competitiveness and strategy

The current competitive position is due in no small part to the successful industrial and commercial integration of the Group's various business units and the work that has gone into creating synergies with regard to commercial and production aspects, all of which has enabled the company to secure a world market share of over 22% in its range of products.

With the implementation of the improvement projects framed within the Competitiveness Plan, TUBACEX aims to continue focusing its efforts on maximising the profitability and competitiveness of its business units, while working internally on the development of the industrial Group, the aim being to continue growing profitably and to generate maximum value in the process.

Furthermore, at the end of 2004 TUBACEX began implementing its Strategic Plan 2010, aimed at guaranteeing future growth and profits and making the company the world's leading seamless stainless steel tube manufacturer.



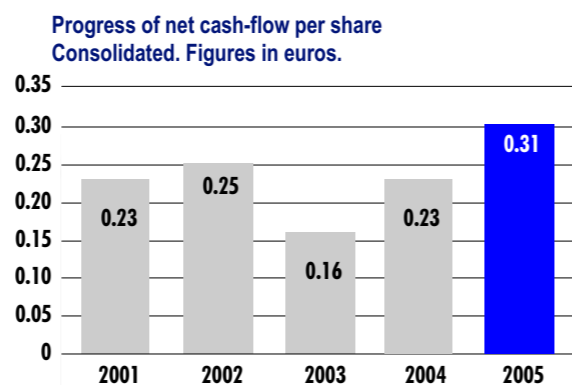
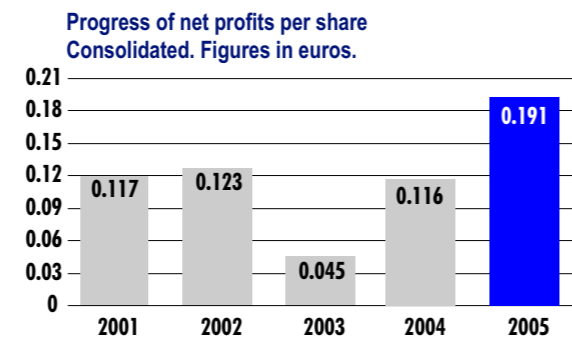
The strategic option adopted by the company is oriented towards profitable organic growth while minimising the need for Group investment and maximising the creation of value for shareholders.

Further information relating to the Strategic Plan and the Competitiveness Plan is set out on the following pages.

Dividend payment

During 2005, TUBACEX paid its shareholders a dividend of €0.0515 gross per share charged against the 2004 profits.

The amount paid out as dividends during the year came to €6.76m, a figure that represents a 50% pay-out of the 2004 profits, which came to €13.15m, in accordance with Spanish Accounting Legislation, in force at the time of adopting the dividend payment agreement.



Stock Market: 89.4% gain

During the last financial year, the TUBACEX shares posted an 89.4% gain and rose from €1.89 per share on the last trading day of 2004 to €3.58 per share at the end of December 2005.

TUBACEX was the tenth share posting the largest gain on the Spanish stock exchange in 2005.

In 2005, 202.33 million TUBACEX shares (+109.1% up on 2004) were traded for the sum of €593.62m, up 264% on the traded volume in the previous year.

Signing of collective agreement

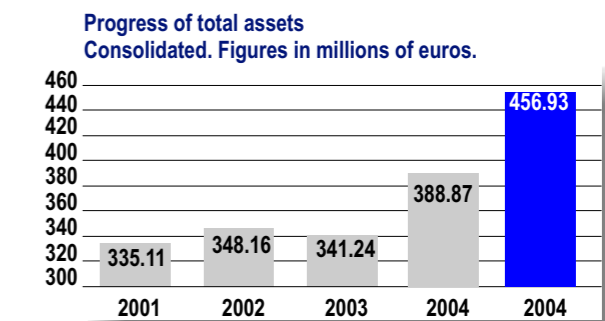
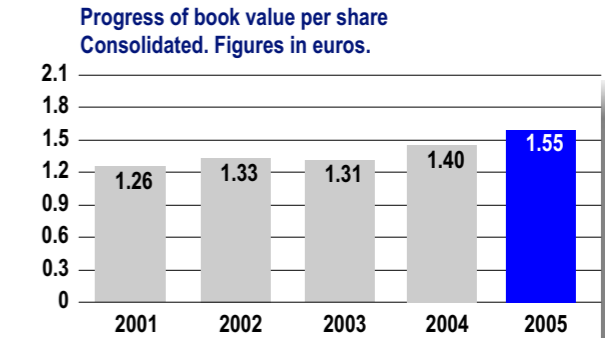
In April 2005, TUBACEX signed the company's collective agreement with the trade unions ELA-STV, CC.OO. and UGT, which will run to 31 December 2007.

The agreement covers annual pay increases in line with the RPI plus half a percentage point and applies to employees at TUBACEX S.A., Tubacex Tubos Inoxidables S.A. and Acería de Álava S.A.

In signing this agreement, TUBACEX has laid the foundations for the implementation of the Strategic Plan 2010, while also guaranteeing the competitiveness of the Group.

*Signing of collective agreement valid to end of 2007

*Company shares up by 89.4%



KEY EVENTS DURING 2005

JANUARY

*TUBACEX raises the prices of its products by between 5 and 13%, in line with the specific product and market.

APRIL

*Four-year collective agreement signed with the trade unions ELA-STV, CC.OO. and UGT, which will run to 31 December 2007.

*Tubos Mecánicos opens its sixth warehouse at Mos, near Vigo. The facility will help the company bolster its marketing activities in Galicia and northern Portugal.

MAY

*The Annual General Meeting of Shareholders approved the 2004 financial statements and the payment of a €0.0515 gross dividend per share, which will be paid out as an ordinary dividend and a supplementary one. The total payment came to €6.76m.

*Fidelity, one of the world's leading investment funds, announces its acquisition of a total of 6,731,550 shares in the company between April and May, some 5.06% of its capital. Chase Nominees Ltd. states that it owns 6,701,833 shares in TUBACEX, a 5.04% stake in company capital.

JULY

*TUBACEX paid out an ordinary dividend of €0.0371 gross per share against the 2004 results. The total payment came to €4.86m.

*TUBACEX quoted on the IBEX SMALL CAP, which includes the 30 securities with the greatest free float adjusted capitalisation, once the IBEX 35 and IBEX MEDIUM CAP securities are excluded.

SEPTEMBER

*TUBACEX paid out a supplementary dividend of €0.0144 gross per share against the 2004 results. The total payment came to €1.89m.

OCTOBER

*TUBACEX is named a finalist in the International Expansion category at the Tenth "Prince Felipe Awards for Business Excellence", organised by the Ministry of Industry, Tourism and Trade.

*TUBACEX makes a series of corporate presentations on the company before an audience of analysts and investors at the Madrid, Bilbao and Barcelona stock exchanges.

NOVEMBER

*The TUBACEX board appoints Juan Antonio Garteizgogea Iguain — a board member since 1994 — Vice-President of the Board of Directors, in accordance with the Group's By-Laws.

*TUBACEX posted record high sales figures in 2005

*High oil prices are providing the catalyst for investment projects in the sector



TUBACEX GROUP BASIC INDICATORS

	2005		2004		2003	
SALES	430.50	+23.90%	347.45	+34.19%	258.92	-9.69%
NET PROFIT	25.42	+65.28%	15.38	+154.64%	6.04	-62.97%
NET CASH-FLOW	41.06	+34.80%	30.46	+44.16%	21.13	-35.14%

Consolidated TUBACEX. Figures in millions of euros.

CASH FLOW AND PROFIT RATIOS

	2005		2004		2003	
NET PROFIT/SALES	5.90	+33.39%	4.43	+89.75%	2.33	-58.99%
NET CASH-FLOW/SALES	9.54	+8.79%	8.77	+7.42%	8.16	-28.19%
NET PROFIT/ASSETS	5.56	+40.66%	3.96	+123.45%	1.77	-62.22%
NET PROFIT/EQUITY	12.34	+49.88%	8.23	+137.07%	3.47	-62.26%

Consolidated TUBACEX. Figures as %.

RATIOS PER SHARE PERFORMANCE

	2005		2004		2003	
NET PROFIT/SHARE	0.191	+65.28%	0.116	+154.64%	0.045	-62.97%
NET CASH FLOW/SHARE	0.309	+34.80%	0.229	+44.16%	0.159	-35.14%
BOOK VALUE/SHARE	1.55	+10.28%	1.40	+7.41%	1.31	-1.87%
PER (Times)	18.73		16.34		31.26	

Consolidated TUBACEX. Figures in euros

FINANCIAL RESULTS

	2005	2004	2003	2002	2001
FINANCIAL RESULTS	(3.82)	(5.30)	(3.24)	(5.02)	(3.85)
FINANCIAL RESULTS/SALES (%)	(0.89)	(1.53)	(1.25)	(1.75)	(1.34)

Consolidated TUBACEX. Figures in millions of euros. () Negative balances.

I.- COMMERCIAL ACTIVITY

The recovery in the seamless stainless steel tubes market that began in 2004 was consolidated last year. TUBACEX registered record sales totalling €430.50m, an increase of 24% on 2004.

Seamless stainless steel tubes

As far as the Group's main business activity is concerned – the seamless stainless steel tube segment – the market situation was favourable in 2005 both in terms of demand, prices and orders.

This upturn was particularly evident in the demand for projects linked to new investments in the oil, gas and petrochemicals sector, driven mainly by rising oil prices, which went up by an average of 45% over the year, taking the price of a barrel to nearly \$60.

For its part, the stockist and distribution sector applied more conservative criteria to supplies mainly due to high raw materials prices, which led, in general terms, to a more moderate increase in demand for tubes.

The recovery of the market has also helped consolidate sales of new high value-added products such as oil country tubular goods (OCTG), manufactured in corrosion-resistant alloys and used for drilling and production purposes at oil wells, and has also seen a sharp increase in sales of tubes made with special alloys, particularly in high-alloy nickel steels and austenitic-ferritic steels.

In Europe demand for tubes for new investment projects, principally for the Middle East, rose significantly, whereas demand in the distribution sector fell off somewhat at the end of the first quarter of the year.

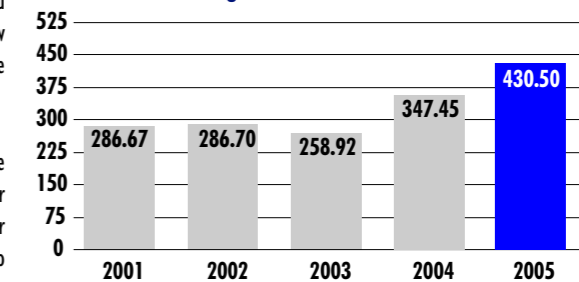
Demand picked up in the North American market both in terms of new projects and distribution, helping to minimise the effects of the continued weakness of the dollar. Nevertheless, it fell away

slightly towards the end of the year due mainly to the hurricanes that devastated the Gulf of Mexico and the southern states of the USA, which accounts for most of the demand for tubes in the North American oil and gas industries.

Elsewhere in the world significant growth was recorded in both the number and scale of new investment projects in the oil and gas sectors, and in new facilities for the chemical and petrochemical industries.

There was a huge surge in demand in Asia, particularly in China, where TUBACEX has now established itself after opening a sales office in Shanghai in late 2004. The office coordinates the Group's sales in Asia and the Pacific. The growth in demand in the region is attributable to the dynamism of the economies of Asia's leading industrial powers, headed by China and India.

Progress of sales
Consolidated. Figures in millions of euros.



Stainless steel billet and round bar

Aceria de Álava's revenue from sales of stainless steel billet and round bar to third parties went up in 2005 thanks to both a growing volume of demand and higher prices, which led to a 50% increase in the subsidiary's sales figures.

GEOGRAPHICAL BREAKDOWN OF SALES

MARKET	2005	2004	2003	2005/2004
EUROPEAN UNION (1)	274.67	232.13	178.33	+18.3%
REST OF EUROPE	8.59	4.46	12.46	+92.6%
USA/CANADA	93.44	71.72	42.19	+30.3%
FAR EAST	38.20	27.08	15.80	+41.1%
MIDDLE EAST	9.27	2.99	3.61	+210.1%
OTHERS	6.33	9.07	6.53	-30.2%
TOTAL SALES	430.50	347.45	258.92	+23.9%

(1) In 2003 the EU consisted of 15 countries as opposed to the current 25. TUBACEX consolidated. Data in millions of euros.

*Sales in the US and Canada rose by 30.3%

*The recovery of the market led to increased sales of high value-added products

Sales of high added-value products, such as special alloy steels (duplex and super duplex in the main) and round bars for direct machining, firmed up during the year. Sales of duplex and super duplex steels accounted for 14% of sales to third parties in 2005, continuing with the recent upward trend in this area.

Acería de Álava's total sales in 2005 reached €237.48m, a record figure for the subsidiary. Over the year around a third of these sales were made to companies outside the Group.

Sales by markets

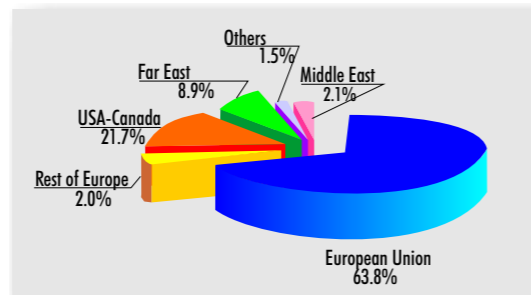
By markets, sales in the European Union, the company's natural market, reached a total of €274.67m, representing 63.8% of total sales, confirmation of the Group's consolidation in the market. The improved sales in the region reflect the upturn in the economic situation in the EU as a whole, and were 18.3% up on the 2004 figure of €232.13m.

Sales in the rest of Europe surged by 92.6% to €8.59m.

As far as the United States and Canada are concerned, thanks to an overall improvement in the market and in spite of the continued strength of the euro against the dollar, sales went up 30.3% moving from €71.72m in 2004 to €93.44m last year. In addition to increased exports from the Group's European factories, this improved showing is also attributable to the significant rise in sales recorded by the North American subsidiary Salem. Over the year as a whole, sales in the North American market represented 21.7% of total consolidated sales.

Turning to the Far East, sales reached €38.20m, accounting for 8.9% of the Group's total figure, with sales having increased in the region as a whole by 41.1% on financial year 2004.

Geographical breakdown of the sales of the TUBACEX Group



2.- INDUSTRIAL ACTIVITY

The company recorded its highest ever sales figures in 2005, while also registering excellent industrial production and productivity figures.

Over the course of the year, TUBACEX continued to develop its programme for reinforcing synergies between the various companies that make up the Group, centring its attention both on cost reduction and effective purchasing as well as enhancing product quality and competitiveness and customer service. In doing so, the focus has been on the strategic orientation of the Group and the importance of planning and adopting a realistic approach in adapting people, structures, processes and investment plans.

In a similar way, TUBACEX has also continued to promote the manufacturing and marketing of high value-added and technologically advanced products.



*The average price of nickel has risen by nearly 150% since 2001

Raw materials

The main raw materials used in the manufacture of stainless steel – produced at the Acería de Álava subsidiary and then processed into tubes at other Group factories – are stainless steel scrap and nickel. Average prices of both commodities rose yet again last year, albeit less steeply than in the previous year.

Raw materials prices remained very high throughout the year, driven by intense speculative activity.

The nickel market – like the entire steel raw materials market – was affected by the increase in worldwide demand for these products, and particularly by increased consumption, production and imports of steel products registered in China for yet another year.

Average nickel prices rose 6.7% in 2005, this on top of a 44% increase in 2004, a 42% hike in 2003 and a 14% rise in 2002. Over the course of 2005 the average price of nickel was \$14,744 per tonne as opposed to \$13,830 per tonne the previous year.

Between 2001 and 2005 the average price of nickel rose by nearly 150% from \$5,958 per tonne to \$14,744 per tonne.

As far as stainless steel scrap is concerned, the average price rose over the year by 5.5% to stand at €1,276 per tonne.

Rising nickel and scrap prices have led to other raw materials becoming more expensive, such as molybdenum oxide, which went up 97% in 2005 to reach an average price of \$70,435 per tonne. Since 2003, when the price stood at \$11,581 per tonne, molybdenum has gone up sixfold.

Investments

As a result of its implementation of the Competitiveness Plan, TUBACEX invested some €12m during 2005, an increase of 21.2% on 2004.

Despite this increase, and having completed the strategic investment programmes the company has been engaged in over the last few years following its recent expansion in the international market, TUBACEX still maintains a stringent investment selection policy.

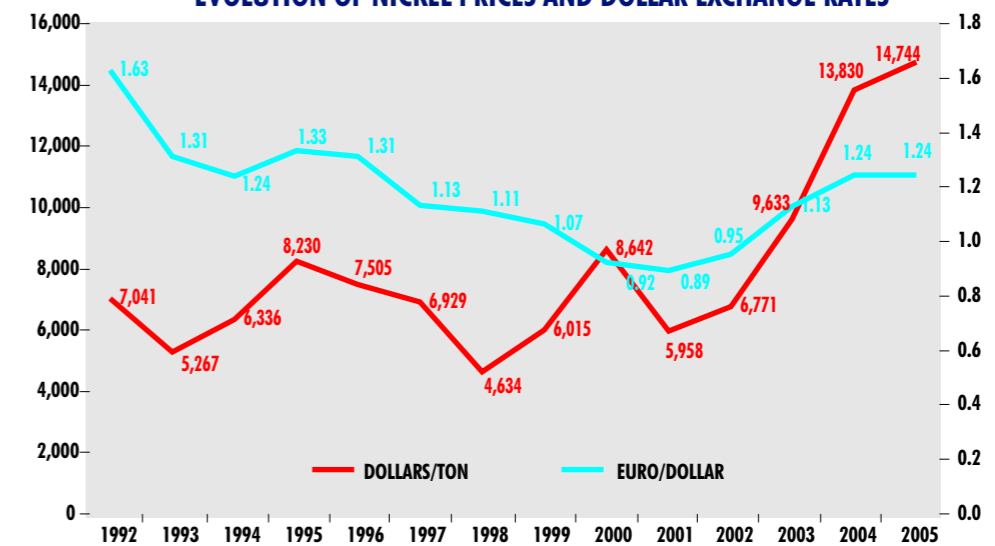
In this respect it should be pointed out that in the period 1998-2005 TUBACEX Group invested a total of €95.25m in expanding and upgrading facilities at its factories, a figure that represents an average annual investment of €11.91m.

This consistent, ongoing investment policy is also enabling strategic investments to be made (high value-added and technologically advanced products), as well as the continuation of the maintenance and renewal of equipment, all of which is designed to improve costs, output and quality. It is these factors that have helped TUBACEX Group's factories establish themselves among the most competitive of their kind in the world.

At the same time, the Group's industrial focus is on the search for solutions to the requirements and problems of its customers, mainly stockists and engineering firms. In this respect it ought to be pointed out that the products manufactured by TUBACEX are designed for sectors that are constantly evolving, thus necessitating the constant review and updating of the company's investment and R&D policies.

The strategic investments made in 2005 are particularly noteworthy, directly linked as they are to the Competitiveness Plan.

EVOLUTION OF NICKEL PRICES AND DOLLAR EXCHANGE RATES





*The price of molybdenum has increased sixfold within two years

*Investments over the last financial year rose to €12m

These investments, which totalled over €3m, were made in the Group's three largest subsidiaries, TTI, SBER and Acería de Álava, and related to aspects such as increased productivity of the extrusion presses, the installation of a new straightening line for large-diameter tubes, and improved productivity on the finishing lines. Some of these investments will continue in 2006.

It should also be added that nearly €3m of investments were made at Acería de Álava, taken up in the main by the installation of a new waste-gas cleaning unit that doubles existing capacity and also brings the Group's flagship facilities into line with the most stringent environmental standards. Investments were also channelled into improvements in furnace efficiency, and in increasing the capacity of the forging facility as well as the cutting capacity of the round-bar manufacturing process. These improvements were made in response to the need to cover the increases in steel output outlined in the Competitiveness Plan.

The remaining investments of approximately €6m in all the Group's subsidiaries were designed to improve the efficiency of key facilities in manufacturing processes at the company's plants, maintain and replace industrial equipment, raise quality standards, and increase the added value of products.

Research and development

TUBACEX's R&D work 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.

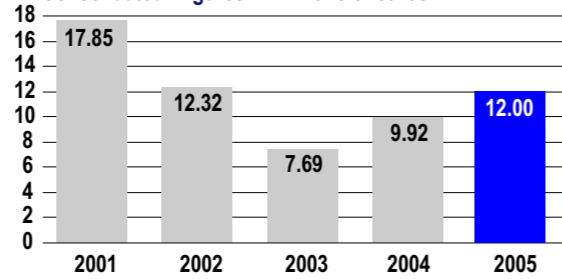
2005 saw the continuation of work begun the previous year on the development of a tube highly resistant to corrosion and especially designed for drilling and production at oil wells under extreme conditions.



Work was conducted on two types of materials that are currently the most widely used when operating in conditions that necessitate the use of high corrosion-resistant alloys due, above all, to the presence of sulphuric acid and carbon anhydride.

As regards research conducted on austenitic-ferritic duplex steels in 2005, a series of industrial studies and tests were completed in relation to extrusion and cold rolling with a view to obtaining the necessary high mechanical performance levels. Additionally, products made from nickel-base alloy steels with an austenitic matrix were also developed for use in even more demanding corrosive conditions.

Investments Evolution
Consolidated. Figures in millions of euros.



These products were launched on the market during 2005.

Finally, work continued on a two-year research programme conducted in conjunction with the CEIT technological centre that aims to improve performance in TTI and Acerálava's heat treatment systems and enable the adequate processing of an increasing amount of material.



*The company catalogue now features new high corrosion-resistant products

*Dividend of €0.0515 per share paid out in 2005

*Consolidated equity accounts for 45% of the liabilities

Quality

In 2005 TTI and Acerálava renewed the certification they were awarded by TÜV Süddeutschland as approved manufacturers of materials in accordance with the AD 2000-Merkblatt W0/TRD 100 Code and European Pressure Equipment Directive PED 97/23/EC.

In addition, Lloyd's Register of Shipping approval for products manufactured by TTI at its Llodio and Amurrio factories was also renewed.

Elsewhere Tubos Mecánicos' warehouse in Galicia was awarded ISO 9001:2000 Certification by the Spanish association for Standardisation and Certification (AENOR). All of Tubos Mecánicos' warehouses have now been granted this certification.

Dividend payment

In 2005, TUBACEX paid its shareholders two dividends, for a joint amount of €0.0515 gross per share, charged against the 2004 profits, due to the good results posted by the company for that period. The dividend is up by 179% on the one paid out in the previous year, which was €0.018 gross per share.

An ordinary dividend of €0.0371 gross per share was paid out in July, while an additional dividend of €0.0144 gross per share was paid in September.

The amount paid out as dividends during the year came to €6.76m, a figure that represents a 50% pay-out of the 2004 profits, which came to €13.51m, in accordance with Spanish Accounting Legislation, in force at the time of adopting the dividend payment agreement.

Since the resumption of shareholder remuneration, TUBACEX has allocated a total of €50.41m to this concept, a figure that tallies with 35% of the profits obtained between 1996 and 2004.

The company intends to continue with the dividend as a means of remuneration, but does not rule out using other additional formulas, aimed at paying out between 30 and 40% of the annual profits as shareholder remuneration. Exceptionally, depending on the economic situation, this percentage may be increased, as has been the case in 2005.

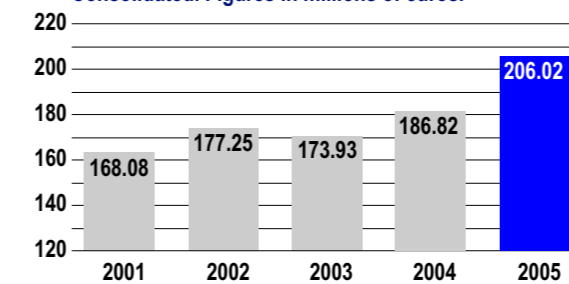
3.- FINANCIAL ACTIVITY

TUBACEX is in a strong financial position, with its equity, totalling €206.02m, accounting for 45.1% of the company's total liabilities. The equity increased by 10.3% in 2005.

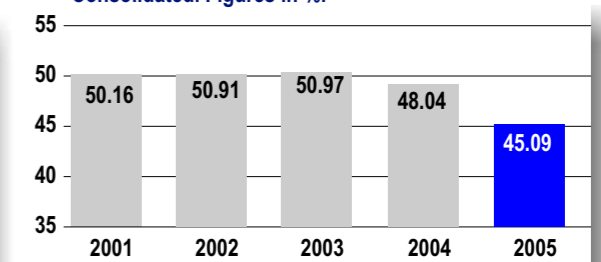
Once again, the Group has generated positive funds, reaching a cash-flow of €41.06m, 34.8% up on the previous year. The cash-flow generated in 2005 is the highest in the history of the company.

During the last five financial years, TUBACEX has generated a net cash flow of €155.78m.

Progress of net worth
Consolidated. Figures in millions of euros.



Progress of net worth / liabilities
Consolidated. Figures in %.



PROGRESS OF SHAREHOLDERS PAYMENTS

	2005	2004	2003	2002	2001(1)
DIVIDEND (gross euros per share)	0.051	0.018	0.042	0.042	0.030
DIVIDEND/LISTED PRICE (%)	1.42	0.95	2.96	3.36	2.42
TOTAL AMOUNT OF THE DIVIDEND(in millions of euros)	6.76	2.42	5.58	5.58	3.99
DIVIDEND/PROFIT (Pay-out) (%) (2)	50.0 (3)	40.0	34.2	36.0	26.1

(1) In 2001, share capital was redeemed by 2% in addition to the dividend. (2) Of the net profits of the previous year. (3) Profits of €13.51 m were posted for 2004 according to Spanish Accounting Legislation, in force at the time when the dividend payment was approved.



*A commitment to high value-added products generating greater demand
 *TUBACEX set to increase its production capacity and cut average costs per ton without making significant investments

4.- STRATEGIC PLAN 2010

At the end of 2004 TUBACEX approved its Strategic Plan. It has continued to work on the Plan since that point, the objective being to safeguard future growth and profitability and to make the company the world's leading producer of seamless stainless steel tubes. The Plan is oriented towards profitable organic growth, while minimising the need for Group investment and maximising the creation of value for shareholders.

From an industrial point of view, TUBACEX aims to reach new levels of productivity and profitability by capitalising on the synergies between plants, thereby substantially improving the competitive position of the Group without the need for major investment. Other noteworthy aspects include specialised production at each plant, the reduction of costs, in addition to the manufacture of new products, steels and higher value-added applications.

A major development in this respect is the production and marketing of a new high corrosion-resistant tube, which began last year. The tube in question has been specially designed for drilling and production work at oil wells under extreme conditions and is now the subject of increasing demand.

Commercial excellence

From a commercial viewpoint, the Strategic Plan is oriented towards increased growth in regions and products with the greatest potential as well as commercial excellence in customer service, and seeks to strengthen the company's profile and commercial position in Asia and the United States. These are two markets in which demand is expected to grow along with market penetration among end users of the company's products. Another objective is to consolidate existing profitability levels in the European distribution market.

The opening of a new sales office in Shanghai to coordinate sales activity in the Asia-Pacific region, and the acquisition of the French marketing company MIS, are just two recent developments that have contributed to reaching these objectives.

5.- COMPETITIVENESS PLAN

In 2003 TUBACEX began implementing an ambitious Competitiveness Plan in the Group's main companies — Acerálava, TTI and SBER — with a view to drawing on industrial synergies and maximising the economies of scale deriving from the industrial structure of the Group, the objective being to increase profit margins and take up an outstanding competitive position in terms of productivity and costs.

Following an initial phase involving the analysis and identification of areas to be improved, a number of projects focusing on increasing competitiveness at the company's facilities were embarked on in 2004 and 2005. These projects aimed to bring about increased steel production volume, improvements in extrusion press and cold-rolled tube output as well as reductions in maintenance costs. These actions are set to continue throughout 2006.

The implementation of the cost and productivity improvement schemes framed within this Plan have played a vital part in the company's excellent results for 2005.

The Competitiveness Plan and the Strategic Plan dovetail with each other and are designed to make the Group more competitive and efficient in its main areas of production and marketing, at the same time as also increasing profit margins.



TUBACEX is an industrial Group whose business activity centres on the manufacture of seamless stainless steel tubes. Founded in 1963, its head office is in Llodio (Álava, Spain) and it has industrial facilities in the same town as well as in Amurrio and Arceniega (also in Álava), Ternitz (Austria), Greenville (Pennsylvania, USA) and Albany (New York).

It also has trading companies in Spain, France, the Netherlands, Germany, Czech Republic, Hungary, the USA and Canada, in addition to sales offices staffed by its own personnel in Italy, Poland and China, and sales representatives in over 30 countries around the world. The Group operates distribution warehouses in Canada and France as well.

TUBACEX Group is structured as a holding company comprising a number of subsidiaries that manufacture and market the Group's products. It has become the second largest company in the world in its sector, and boasts a market share of 22% in its range of products.

The company is one of only three manufacturers of seamless stainless steel tubes in the world to boast an integrated production system (steel manufacturing, hot extrusion and cold rolling of tubes).

TUBACEX Group runs a stainless steel manufacturing plant (Amurrio), three hot tube extrusion plants (Llodio, Ternitz and Albany), three cold rolling facilities (Amurrio, Ternitz and Albany), two cold drawing factories (Greenville and Albany), and a plant manufacturing curved sections and tube fittings (Arceniega). It also manufactures mechanical tubes at its Llodio and Ternitz plants. All products are made from stainless steel.



ACERÍA DE ÁLAVA S.A.

Acería de Álava (Acerálava) is a subsidiary (100% owned by TUBACEX) that manufactures primary-processed stainless steel. Its main purpose is to supply raw materials to Group subsidiaries manufacturing tubes, namely Tubacex Tubos Inoxidables and Schoeller Bleckmann Edelstahlrohr.

The company, which has its production plant in Amurrio, is also active in the external markets, and manufactures rolled and forged stainless steel products in billets and round bars for other consumers of this raw material, mainly forging and machining companies.

In 2005 company sales were €237.48m, an increase of 50.1% on the 2004 figure, when it posted sales totalling €158.16m.

Around 67% of Acerálava's sales in 2005 were accounted for by supplies to other Group companies (TTI, SBER and Cotubes), while the remaining sales were made to external customers.

The net profit for the year amounted to €3.44m, a figure that represented an increase of 43.9% on the 2004 total of €2.39m. The subsidiary generated cash-flow stood of €6.93m, 37.3% up on 2004.

Acerálava has a shareholder equity of €29.22m, accounting for 24.3% of its total liabilities.