



*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.



*Almost all the subsidiaries registered record sales
 *Acerálava increased its sales by 50%

TUBACEX TUBOS INOXIDABLES S.A.

Tubacex Tubos Inoxidables S.A. (TTI), 100% owned by TUBACEX, is the Group's flagship manufacturer and uses hot and cold processes to produce seamless stainless steel tubes. It has hot tube extrusion and finishing facilities in Llodio and a cold tube rolling mill in Amurrio, as well as sales offices in Europe, North America and Asia.

Over the course of last year it recorded sales of €187.89m representing a 24.4% increase on the previous year's figure of €150.97m.

Net profits rose to €4.65m, an increase of 119.3% on the €2.12m registered in 2004. TTI generated cash-flow of €10.08m, 42.6% higher than 2004.

Its shareholder equity is €52.71m, some 38.3% of the company's total liability.

SCHOELLER BLECKMANN EDELSTAHLROHR AG

Schoeller Bleckmann Edelstahlrohr AG (SBER) has industrial facilities in the Austrian town Ternitz and is 100% owned by TUBACEX. Its sole activity is the manufacture of stainless steel tubes. The subsidiary enjoys considerable prestige within this market, one it has operated in under a variety of names for more than 160 years. The company became part of TUBACEX Group in 1999.



SBER specialises in the manufacture of small-diameter tubes with a high added value, a complementary product in the Group's catalogue, and boasts a solid position in the European market, particularly in central and eastern Europe. In the latter region SBER has sales offices in Poland, Czech Republic and Hungary, the three most important countries of the ten that joined the European Union in May 2004.

In 2005 SBER Group enjoyed its best financial year since joining TUBACEX and recorded sales of €124.71m, a 19% improvement on 2004 when it posted sales figures of €104.76m.

Net profits rose to €8.36m, 48.7% up on 2004. It generated cash-flow stood of €12.14m, 16.4% higher than the previous year.

The Austrian subsidiary has a shareholder equity of €45.59m, accounting for 45.5% of the company's total liabilities.

ALT X INC.

Activity at this North American subsidiary based in the city of Albany, the capital of New York State, ceased in November 2002.

SALEM TUBE INC.

Salem Tube Inc. is a Group subsidiary (through Tubacex America Holding) with industrial facilities in Greenville (Pennsylvania), and it manufactures cold-drawn seamless tubes in stainless steel and high-nickel alloys and super alloys.

In 2005 Salem registered sales of €26.81m, a rise of 24.7% on the 2004 figure of €21.50m.

Net profits for the year totalled €4.35m, 54.2% up the 2004 results of €2.82m. A cash-flow of €5.04m was generated, an increase of 45.1% on the figure for the previous year.

These are the best results Salem has obtained since it joined TUBACEX Group in 1995.

*TTI's sales totalled €188m
 *SBER posted profits of €8.36m

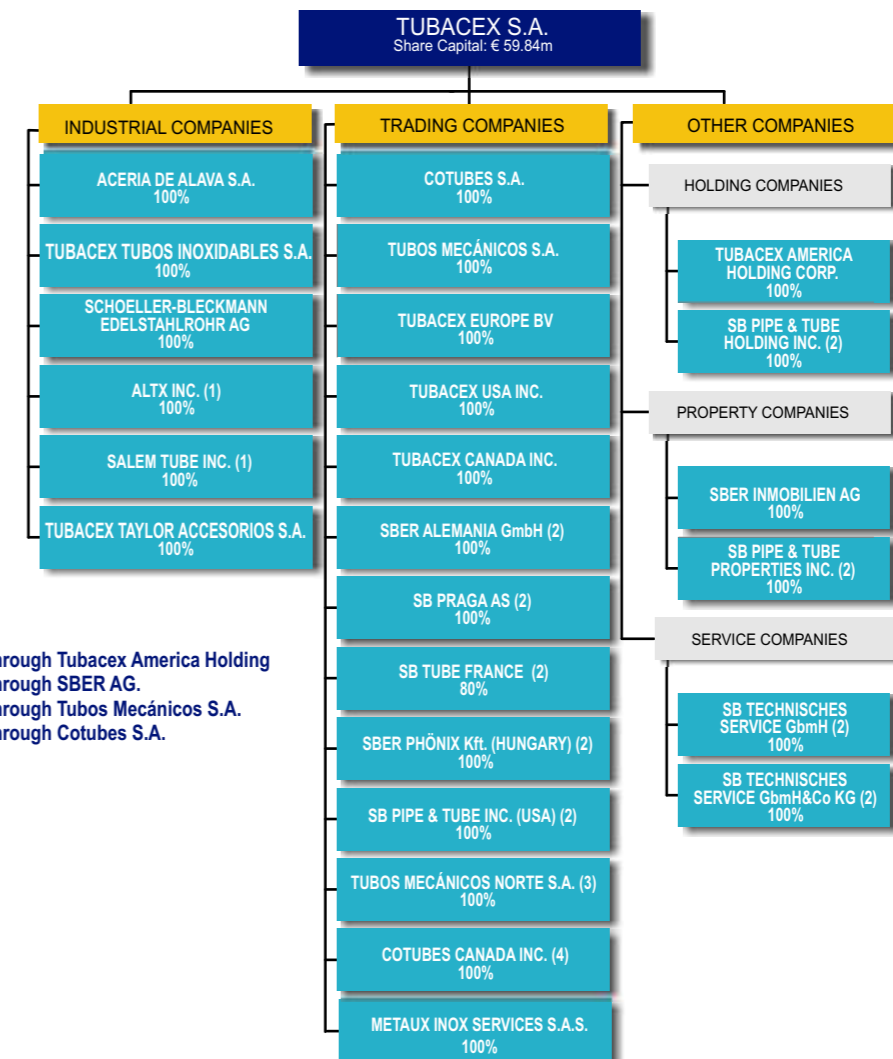
The North American subsidiary has a shareholder equity of €16.09m, accounting for 80.4% of the company's total liabilities.

TUBACEX TAYLOR ACCESORIOS S.A.

Tubacex Taylor Accesorios S.A. (TTA) is a subsidiary based in Arceniega (Álava) and manufactures curved sections in stainless steel and other carbon and alloy steels, as well as tube fittings. It is, therefore, a highly valued participant in the activities of the Group's tube-manufacturing subsidiaries, and contributes considerable added value to the products they market for industrial projects.

TTA's sales for 2005 amounted to €6.61m, down slightly on the 2004 figure.

CORPORATE STRUCTURE OF THE TUBACEX GROUP



- (1) Through Tubacex America Holding
- (2) Through SBER AG.
- (3) Through Tubos Mecánicos S.A.
- (4) Through Cotubes S.A.



*Salem Tube saw its profits increase by 54.2%

COTUBES S.A.

Net profits for the year reached €0.26m, almost three times higher than for the previous year.

TTA has a shareholder equity of €9.35m, accounting for 57.4% of the company's total liabilities.

Cotubes is the Group's commercial wing and operates as a master distributor of seamless stainless steel tubes for the domestic market. Cotubes has the most extensive stock of stainless steel tubes in the national market and one of the largest in Europe. It also sells billets and round bars manufactured by Acería de Álava and curved sections by Tubacex Taylor Accesorios.

DEMAND SECTORS FOR PRODUCTS MANUFACTURED BY THE TUBACEX GROUP

Sectors	TTI Spain	SBER Austria	SALEM USA	ACERALAVA Spain	TTA Spain
Chemical and Petrochemical					
Energy			---	---	---
Oil And Gas			---	---	---
Mechanical					---
Aerospace				---	---
Electronics	---			---	---
Food Industry				---	
Technologies				---	---
Forging	---	---	---		---
Rerolling Long products Sections	---	---	---		---

*Cotubes' total sales amounted to €34m

Cotubes enjoyed a successful year, recording sales of €33.95m, an increase of some 18.9% on the 2004 total of €28.56m.

Company profits stood at €0.42m, a rise of 61.5% on the previous year's figure of €0.26m. It generated cash-flow of €0.55m, 41.9% up on 2004.

Cotubes has a shareholder equity of €4.03m, accounting for 15.2% of the company's total liabilities.

Its subsidiary, Cotubes Canadá Inc., posted 2005 sales of €5.06m and recorded profits of €0.21m.

TUBOS MECANICOS GROUP

Tubos Mecánicos Group is based in Barcelona and markets what are known as mechanical tubes (hollow bars) in carbon steel for use in the manufacture of machined parts. It also markets tubes for hydraulic and pneumatic circuits, tubes for cylinders, lapped and pre-lapped items and chrome-plated bars, which are mainly used in the capital equipment industry.

The company has warehouse facilities in Alava, Barcelona, Madrid, Valencia and Zaragoza. In April 2005 it opened a new warehouse near Vigo, which it will use to bolster the sale of its products in Galicia and northern Portugal.

Its sales for the year rose to €28.44m, 17.8% up on the 2004 mark of €24.14m.

Profits for the year were €3.77m, double the figure for the previous year. Generated cash-flow totalled €4.11m

Tubos Mecánicos Group has a shareholder equity of €13.87m, accounting for 38% of the company's total liabilities.

METAUX INOX SERVICES (MIS)

At the end of December 2004 TUBACEX acquired a 100% stake in Metaux Inox Services (MIS) from Cotubel. Group MIS, based in Lyon, markets seamless stainless steel tubes in France.

The acquisition has helped TUBACEX enhance the service it offers distributors and stockists, as well as Group customers in the French market, in line with the Strategic Plan 2010.

In 2005, its first financial year as part of TUBACEX, MIS recorded sales of €7.90m. It also registered profits of €0.09m and generated cash-flow of €0.10m.

MIS has a shareholder equity of €0.8m, accounting for 14.4% of the company's total liabilities.



ACERÁLAVA

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	237,511,264	158,244,059
Fixed assets	24,802,338	23,356,007	Cost of material	204,526,414	132,243,350
Tangibles	23,736,645	22,077,557	Operating expenses	24,940,841	18,591,271
Financial	1,065,693	1,278,450			
Other			Operating profit	8,044,009	7,409,438
Deferred expenses	0	0	Depreciation	3,492,183	2,658,041
Current assets	95,240,810	57,243,243	Net financial result	(198,812)	(1,672,066)
Available	1,595	146			
Other current assets	95,239,215	57,243,097	Profits from ordinary activities	4,353,014	3,079,331
TOTAL	120,043,148	80,599,250	Extraordinary results	(24,012)	(42,299)
Liabilities			Profit before taxes	4,329,002	3,037,032
Shareholders' equity	29,225,623	25,846,928	Taxes	885,809	646,240
Capital	7,299,944	7,299,944	Net profit	3,443,193	2,390,792
Reserves	18,482,486	16,156,192			
Results for the year	3,443,193	2,390,792			
Deferred income and provisions	279,302	318,711			
Long term creditors	450,365	875,834			
Current liabilities	90,087,858	53,557,777			
TOTAL	120,043,148	80,599,250			

SBER GROUP

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	128,324,532	105,922,219
Fixed assets	31,802,406	32,753,151	Aprovisionamientos	72,231,384	53,210,072
Tangibles	21,766,839	23,250,169	Operating expenses	43,489,619	41,903,417
Financial	8,686,282	8,612,298			
Other	1,349,285	890,684	Operating profit	12,603,529	10,808,730
Deferred expenses	537,978	486,279	Depreciation	3,780,626	4,810,333
Current assets	67,932,626	54,203,176	Net financial result	(154,424)	171,339
Available	6,281,912	4,679,171			
Other current assets	61,650,714	49,524,005	Profits from ordinary activities	8,668,479	6,169,736
TOTAL	100,273,010	87,442,606	Extraordinary results	0	15,186
Liabilities			Profit before taxes	8,668,479	6,184,922
Shareholders' equity	45,588,333	41,043,510	Taxes	307,314	568,720
Capital	3,500,000	3,500,000	Net profit	8,361,165	5,616,202
Reserves	33,727,168	31,927,308			
Results for the year	8,361,165	5,616,202			
Deferred income and provisions	7,460,060	7,475,231			
Long term creditors	2,322,586	2,682,045			
Current liabilities	44,902,031	36,241,820			
TOTAL	100,273,010	87,442,606			

T.II.

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	189,237,985	151,818,021
Fixed assets	16,796,209	16,674,814	Cost of material	116,221,057	90,551,507
Tangibles	14,751,264	13,717,806	Operating expenses	59,664,681	51,044,316
Financial	1,394,974	1,700,279			
Other	649,971	1,256,729	Operating profit	13,352,247	10,222,198
Deferred expenses	0	0	Depreciation	5,432,730	4,946,592
Current assets	120,923,852	79,821,988	Net financial result	(1,613,481)	(1,598,256)
Available	3,821,323	319,431			
Other current assets	117,102,529	79,502,557	Profits from ordinary activities	6,306,036	3,677,350
TOTAL	137,720,061	96,496,802	Extraordinary results	(391,411)	(951,320)
Liabilities			Profit before taxes	5,914,625	2,726,030
Shareholders' equity	52,706,460	48,659,200	Taxes	1,267,245	605,045
Capital	15,028,005	15,028,005	Net profit	4,647,380	2,120,985
Reserves	33,031,075	31,510,210			
Results for the year	4,647,380	2,120,985			
Deferred income and provisions	921,215	1,533,615			
Long term creditors	1,175,947	646,399			
Current liabilities	82,916,439	45,657,588			
TOTAL	137,720,061	96,496,802			

SALEM TUBE INC.

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	26,814,015	21,496,401
Fixed assets	5,308,596	4,541,601	Cost of sales	17,527,316	14,825,861
Tangibles	5,301,527	4,534,109			
Financial	0	0	Operating profit	9,286,699	6,670,540
Other	7,069	7,492	Selling and general expenses	2,410,236	2,124,176
Deferred expenses	0	0	Net financial result	33,571	(18,193)
Current assets	14,708,846	9,101,471	Profits from ordinary activities	6,910,034	4,528,171
Available	2,205,036	296,982	Extraordinary results	0	0
Other current assets	12,503,810	8,804,489	Profit before taxes	6,910,034	4,528,171
TOTAL	20,017,442	13,643,072	Taxes	2,563,410	1,704,635
Liabilities			Net profit	4,346,624	2,823,536
Shareholders' equity	16,092,507	9,994,861			
Capital	4,111,277	4,111,277			
Reserves	7,634,606	3,060,048			
Results for the year	4,346,624	2,823,536			
Deferred income and provisions	0	0			
Long term creditors	1,160,466	1,460,560			
Current liabilities	2,764,469	2,187,651			
TOTAL	20,017,442	13,643,072			



T.T.A.

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	6,607,257	6,720,547
Fixed assets	4,515,844	6,282,290	Cost of material	2,870,198	3,163,580
Tangibles	1,244,315	1,160,534	Operating expenses	3,184,177	3,185,491
Financial	3,271,529	5,121,756	Operating profit	552,882	371,476
Other			Depreciation	144,810	132,457
Deferred expenses	0	0	Net financial result	(21,416)	(127,068)
Current assets	11,762,245	10,064,651	Profits from ordinary activities	386,656	111,951
Available	362,765	206,091	Extraordinary results	(1,461)	51,202
Other current assets	11,399,480	9,858,560	Profit before taxes	385,195	163,153
TOTAL	16,278,089	16,346,941	Taxes	125,574	67,025
Liabilities			Net profit	259,621	96,128
Shareholders' equity	9,349,418	9,089,797			
Capital	8,890,593	8,890,593			
Reserves	199,204	103,076			
Results for the year	259,621	96,128			
Deferred income and provisions	258,552	303,454			
Long term creditors	1,869,500	1,875,260			
Current liabilities	4,800,619	5,078,430			
TOTAL	16,278,089	16,346,941			

TUBOS MECANICOS GROUP

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	28,962,403	24,660,241
Fixed assets	8,312,163	8,077,797	Cost of material	15,998,899	14,577,400
Tangibles	8,310,786	6,903,588	Operating expenses	6,923,879	6,407,850
Financial	1,377	1,174,209	Operating profit	6,039,625	3,674,991
Other			Depreciation	339,070	342,670
Deferred expenses	38,511	48,748	Net financial result	(129,370)	(20,060)
Current assets	28,145,422	21,340,478	Profits from ordinary activities	5,571,185	3,312,261
Available	4,359,775	1,785,563	Extraordinary results	0	0
Other current assets	23,785,647	19,554,915	Profit before taxes	5,571,185	3,312,261
TOTAL	36,496,096	29,467,023	Taxes	1,803,000	1,428,000
Liabilities			Net profit	3,768,185	1,884,261
Shareholders' equity	13,871,209	13,258,855			
Capital	5,436,974	5,436,974			
Reserves	4,666,050	5,937,620			
Results for the year	3,768,185	1,884,261			
Deferred income and provisions	0	0			
Long term creditors	4,716,700	2,711,168			
Current liabilities	17,908,187	13,497,000			
TOTAL	36,496,096	29,467,023			

COTUBES

BALANCE SHEET	Year 2005 Euros	Year 2004 Euros	PROFIT AND LOSS ACCOUNT	Year 2005 Euros	Year 2004 Euros
Assets			Income	33,952,531	28,559,145
Fixed assets	501,116	546,140	Cost of material	30,864,055	25,917,632
Tangibles	361,019	317,113	Operating expenses	1,866,364	1,779,756
Financial	51,708	93,470	Operating profit	1,222,112	861,757
Other	88,389	135,557	Depreciation	126,740	122,437
Deferred expenses	0	0	Net financial result	(407,240)	(397,089)
Current assets	26,001,515	20,008,558	Profits from ordinary activities	688,132	342,231
Available	378,102	324,224	Extraordinary results	0	0
Other current assets	25,623,413	19,684,334	Profit before taxes	688,132	342,231
TOTAL	26,502,631	20,554,698	Taxes	266,199	77,714
Liabilities			Net profit	421,933	264,517
Shareholders' equity	4,027,565	3,605,632			
Capital	1,141,900	1,141,900			
Reserves	2,463,732	2,199,215			
Results for the year	421,933	264,517			
Deferred income and provisions	66,736	66,736			
Long term creditors	418,648	0			
Current liabilities	21,989,682	16,882,330			
TOTAL	26,502,631	20,554,698			

