

# SUBSIDIARIES

**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 the province of Álava), Ternitz (Austria), Greenville (Pennsylvania, U.S.A.) and Albany (New York).**

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

The 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).

Grupo TUBACEX 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.

**\*All TUBACEX subsidiaries posted record sales**

**\*Acerálava increased its profit by 86.9%**

The company, which has its production plant in Amurrio, is also active in 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 2006 company sales were €284.15m, an increase of 19.6% on the 2005 figure, when it posted sales totalling €237.48m.

Around 65% of Acerálava's sales in 2006 were accounted for by supplies to other Group companies (TTI, SBER and Cotubes), while the remaining 35% of sales were made to external customers.

The net profit for the year amounted to €6.43m, a figure that represented an increase of 86.9% on the 2005 total of €3.44m. The subsidiary generated cash flow stood at €10.62m, 53.2% up on 2005.

Acerálava has shareholder equity of €35.6m, accounting for 21.3% of its total liabilities.



**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, Latin America and Asia.

**\*TTI sales reached €237m**

Over the course of last year it recorded sales of €236.79m., representing a 26% increase on the previous year's figure of €187.89m.

Net profits at this subsidiary rose to €3.56m, a decrease of 23.4% on the €4.65m registered in 2004. TTI generated cash flow of €9.21m, making it 8.6% lower than in 2005.

Its shareholder equity is €55.66m, which is some 35.1% of the company's total liabilities.

**SCHOELLER BLECKMANN EDELSTAHLROHR GmbH**

Schoeller-Bleckmann Edelstahlrohr GmbH (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 the 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 2006 the SBER Group recorded sales of €143.68m, a 15.2% increase on 2005, when it posted sales figures of €124.71m.

**\*SBER achieved profits of €8.23m**

Net profits rose to €8.23m, which is similar to the figure achieved in 2005. Its generated cash flow stood of €12.18m.

The Austrian subsidiary has shareholder equity of €47.09m, accounting for 43% of its total liabilities.

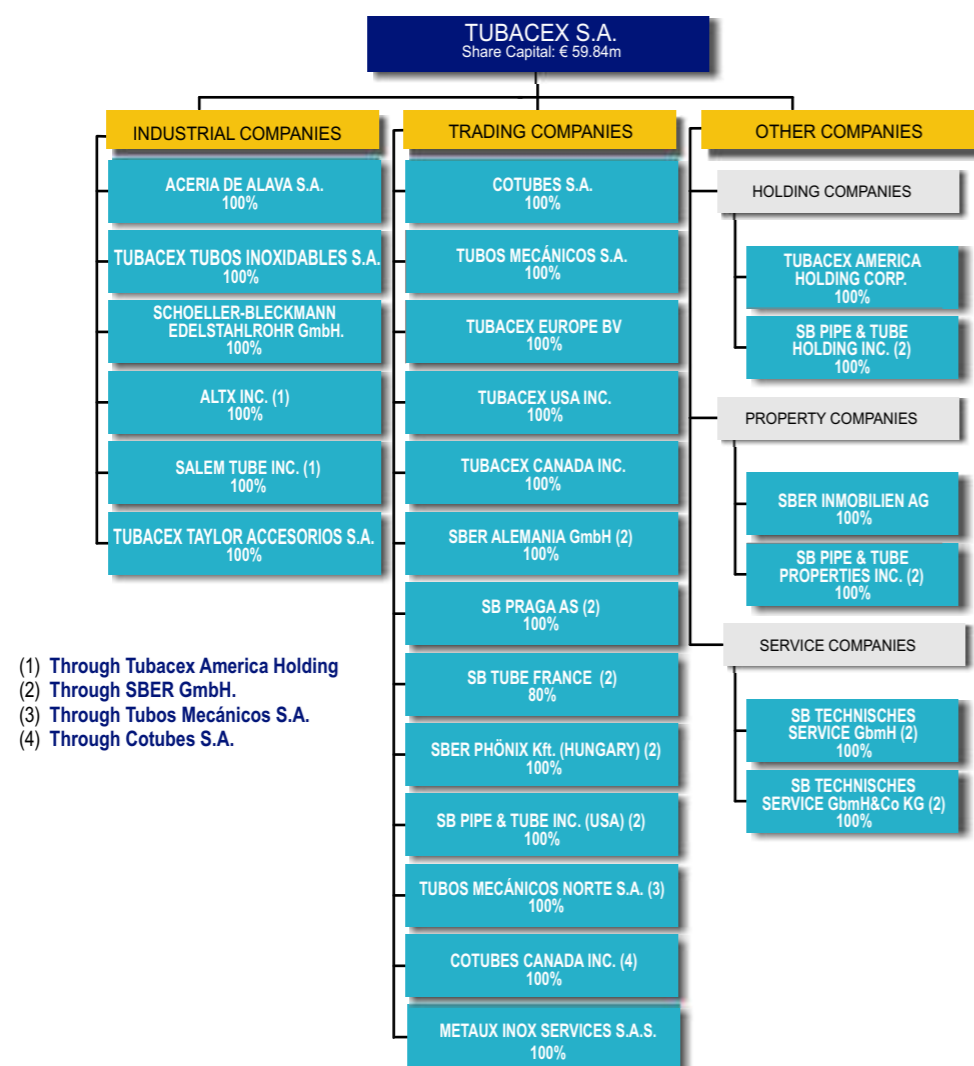
**ALTX INC.**

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), which manufactures cold-drawn seamless tubes in stainless steel and high-nickel alloys and super alloys.

**CORPORATE STRUCTURE OF THE TUBACEX GROUP**



**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					

Salem again recorded an exceptional financial year, setting new records for sales and profits, and the best results since it joined the Group. Sales in 2006 amounted to €32.78m, a rise of 22.3% over the 2005 figure of €26.81m.

**\*Salem Tube sales increased by 22.3%**

Net profits for the year totalled €4.79m, 10.1% up the 2005 results of €4.35m. Cash flow of €5.5m was generated, an increase of 9.2% on the figure for the previous year.

The North American subsidiary has shareholder equity of €16.24m, accounting for 77.1% of its total liabilities.

**TUBACEX TAYLOR ACCESORIOS S.A.**

Tubacex Taylor Accesorios S.A. (TTA) is a subsidiary based in Arceniega (Álava) that 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 sales for 2006 amounted to €10.37m, meaning an increase of 56.9% over the €6.61m recorded in 2005.

Net profits for the year reached €0.67m, a figure which represents an increase of 157% on the previous year. Cash flow stood at €0.83m, double the amount recorded in 2005.

TTA has shareholder equity of €10.02m, accounting for 51.5% of its total liabilities.

**COTUBES S.A.**

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 made by Tubacex Taylor Accesorios.

Cotubes enjoyed a successful year, recording sales of €46.66m, an increase of 37.4% on the 2005 total of €33.95m.

Company profits stood at €0.98m, a rise of 133.3% on the previous year's figure of €0.42m. The generated cash flow amounted to €1.11m, 101.8% up on 2005.

**\*Cotubes profits soared by 133%**

Cotubes has shareholder equity of €5.01m, accounting for 15.4% of its total liabilities.

**GRUPO TUBOS MECANICOS**

Grupo Tubos Mecánicos 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 Álava, Barcelona, Madrid, Pontevedra, Valencia and Zaragoza. In May 2006 it opened a new warehouse in the locality of Campo Real, on the outskirts of Madrid, with a covered surface area of 6,600 square metres, replacing and doubling the surface area of the warehouse that the company previously used at nearby Arganda del Rey, which will be kept as a logistics centre for the Group. Tubos Mecánicos has invested €4.5m in this new warehouse.

Its sales for the year rose to €33.01m, 16.1% up on the 2005 figure of €28.44m.

Profits for the year were €3.55m, representing a decrease of 5.8% on the figure for the previous year. Cash flow of €4.02m was generated during the year.

Grupo Tubos Mecánicos has shareholder equity of €16.19m, accounting for 39.3% of its total liabilities.

**METAUX INOX SERVICES (MIS)**

Metaux Inox Services (MIS) is a company based in Lyon that markets seamless stainless steel tubes in France.

Through this company, which was acquired in 2004, TUBACEX has improved the service it offers distributors and stockists, Group customers in the French market, in line with the Strategic Plan 2010.

In 2006, its second financial year as part of TUBACEX, MIS recorded sales of €14.04m, showing an increase of 77.7%. It also registered profits of €0.65m, which means an increase of 606.5%. Cash flow amounting to €0.66m was generated.

MIS has shareholder equity of €1.45m, accounting for 13.8% of its total liabilities.



ACERIA DE ALAVA

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>284,370,052</b>	<b>237,511,264</b>
Fixed assets	<b>22,688,779</b>	<b>24,802,338</b>	Cost of material	239,197,045	204,526,414
Tangibles	22,049,453	23,736,645	Operating expenses	28,644,087	24,940,841
Financial	118,944	1,065,693			
Other	520,382		<b>Operating profit</b>	<b>16,528,920</b>	<b>8,044,009</b>
Deferred expenses	0	0	Depreciation	4,192,303	3,492,183
Current assets	<b>144,796,757</b>	<b>95,240,810</b>	Net financial result	(3,582,736)	(198,812)
Available	17,830	1,595	<b>Profits from ordinary activities</b>	<b>8,753,881</b>	<b>4,353,014</b>
Other current assets	144,778,927	95,239,215	Extraordinary results	471,567	(24,012)
<b>TOTAL</b>	<b>167,485,536</b>	<b>120,043,148</b>	<b>Profit before taxes</b>	<b>9,225,448</b>	<b>4,329,002</b>
<b>Liabilities</b>			Taxes	2,791,619	885,809
Shareholders' equity	<b>35,594,954</b>	<b>29,225,623</b>	<b>Net profit</b>	<b>6,433,829</b>	<b>3,443,193</b>
Capital	7,299,944	7,299,944			
Reserves	21,861,181	18,482,486			
Results for the year	6,433,829	3,443,193			
Deferred income and provisions	<b>279,302</b>	<b>279,302</b>			
Long term creditors	<b>311,030</b>	<b>450,365</b>			
Current liabilities	<b>131,300,250</b>	<b>90,087,858</b>			
<b>TOTAL</b>	<b>167,485,536</b>	<b>120,043,148</b>			

SBER GROUP

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>145,187,814</b>	<b>128,324,532</b>
Fixed assets	<b>27,182,331</b>	<b>31,802,406</b>	Cost of material	83,107,326	72,231,384
Tangibles	19,837,320	21,766,839	Operating expenses	48,642,816	43,489,619
Financial	6,225,392	8,686,282			
Other	1,119,619	1,349,285	<b>Operating profit</b>	<b>13,437,672</b>	<b>12,603,529</b>
Deferred expenses	<b>494,837</b>	<b>537,978</b>	Depreciation	3,956,831	3,780,626
Current assets	<b>81,908,835</b>	<b>67,932,626</b>	Net financial result	(334,736)	(154,424)
Available	6,818,580	6,281,912	<b>Profits from ordinary activities</b>	<b>9,146,105</b>	<b>8,668,479</b>
Other current assets	75,090,255	61,650,714	Extraordinary results	0	0
<b>TOTAL</b>	<b>109,586,003</b>	<b>100,273,010</b>	<b>Profit before taxes</b>	<b>9,146,105</b>	<b>8,668,479</b>
<b>Liabilities</b>			Taxes	919,540	307,314
Shareholders' equity	<b>47,089,271</b>	<b>45,588,333</b>	<b>Net profit</b>	<b>8,226,565</b>	<b>8,361,165</b>
Capital	3,500,000	3,500,000			
Reserves	35,362,706	33,727,168			
Results for the year	8,226,565	8,361,165			
Deferred income and provisions	<b>7,661,747</b>	<b>7,460,060</b>			
Long term creditors	<b>910,000</b>	<b>2,322,586</b>			
Current liabilities	<b>53,924,985</b>	<b>44,902,031</b>			
<b>TOTAL</b>	<b>109,586,003</b>	<b>100,273,010</b>			

T.T.I.

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>238,060,150</b>	<b>189,237,985</b>
Fixed assets	<b>18,578,850</b>	<b>16,796,209</b>	Cost of material	162,257,281	116,221,057
Tangibles	17,097,707	14,751,264	Operating expenses	63,896,191	59,664,681
Financial	1,481,143	1,394,974			
Other	0	649,971	<b>Operating profit</b>	<b>11,906,678</b>	<b>13,352,247</b>
Deferred expenses	0	0	Depreciation	5,651,784	5,432,730
Current assets	<b>139,851,298</b>	<b>120,923,852</b>	Net financial result	(1,852,107)	(1,613,481)
Available	1,116,791	3,821,323	<b>Profits from ordinary activities</b>	<b>4,402,787</b>	<b>6,306,036</b>
Other current assets	138,734,507	117,102,529	Extraordinary results	(417,756)	(391,411)
<b>TOTAL</b>	<b>158,430,148</b>	<b>137,720,061</b>	<b>Profit before taxes</b>	<b>3,985,031</b>	<b>5,914,625</b>
<b>Liabilities</b>			Taxes	426,907	1,267,245
Shareholders' equity	<b>55,664,464</b>	<b>52,706,460</b>	<b>Net profit</b>	<b>3,558,124</b>	<b>4,647,380</b>
Capital	15,028,005	15,028,005			
Reserves	37,078,335	33,031,075			
Results for the year	3,558,124	4,647,380			
Deferred income and provisions	<b>867,549</b>	<b>921,215</b>			
Long term creditors	<b>1,009,740</b>	<b>1,175,947</b>			
Current liabilities	<b>100,888,395</b>	<b>82,916,439</b>			
<b>TOTAL</b>	<b>158,430,148</b>	<b>137,720,061</b>			

SALEM TUBE INC.

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>32,785,626</b>	<b>26,814,015</b>
Fixed assets	<b>4,938,663</b>	<b>5,308,596</b>	Cost of material	22,770,866	17,527,316
Tangibles	4,930,066	5,301,527	Operating expenses		
Financial	0	0	<b>Operating profit</b>	<b>10,014,760</b>	<b>9,286,699</b>
Other	8,597	7,069	Depreciation	2,496,363	2,410,236
Deferred expenses	0	0	Net financial result	97,197	33,571
Current assets	<b>16,134,819</b>	<b>14,708,846</b>	<b>Profits from ordinary activities</b>	<b>7,615,594</b>	<b>6,910,034</b>
Available	3,148,258	2,205,036	Extraordinary results	0	0
Other current assets	12,986,561	12,503,810	<b>Profit before taxes</b>	<b>7,615,594</b>	<b>6,910,034</b>
<b>TOTAL</b>	<b>21,073,482</b>	<b>20,017,442</b>	Taxes	2,826,136	2,563,410
<b>Liabilities</b>			<b>Net profit</b>	<b>4,789,458</b>	<b>4,346,624</b>
Shareholders' equity	<b>16,244,832</b>	<b>16,092,507</b>			
Capital	4,111,277	4,111,277			
Reserves	7,344,097	7,634,607			
Results for the year	4,789,458	4,346,624			
Deferred income and provisions	0	0			
Long term creditors	<b>996,961</b>	<b>1,160,466</b>			
Current liabilities	<b>3,831,689</b>	<b>2,764,469</b>			
<b>TOTAL</b>	<b>21,073,482</b>	<b>20,017,442</b>			

T.T.A.

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>10,368,554</b>	<b>6,607,257</b>
Fixed assets	<b>2,728,934</b>	<b>4,515,844</b>	Cost of material	5,324,537	2,870,198
Tangibles	1,227,458	1,244,315	Operating expenses	3,717,226	3,184,177
Financial	1,501,476	3,271,529			
Other			<b>Operating profit</b>	<b>1,326,791</b>	<b>552,882</b>
Deferred expenses	0	0	Depreciation	162,138	144,810
Current assets	<b>16,584,775</b>	<b>11,762,245</b>	Net financial result	(163,966)	(21,416)
Available	661,678	362,765	<b>Profits from ordinary activities</b>	<b>1,000,687</b>	<b>386,656</b>
Other current assets	15,923,097	11,399,480	Extraordinary results	(3,463)	(1,461)
<b>TOTAL</b>	<b>19,313,709</b>	<b>16,278,089</b>	<b>Profit before taxes</b>	<b>997,224</b>	<b>385,195</b>
<b>Liabilities</b>			Taxes	325,095	125,574
Shareholders' equity	<b>10,021,547</b>	<b>9,349,418</b>	<b>Net profit</b>	<b>672,129</b>	<b>259,621</b>
Capital	8,890,593	8,890,593			
Reserves	458,825	199,204			
Results for the year	672,129	259,621			
Deferred income and provisions	<b>201,083</b>	<b>258,552</b>			
Long term creditors	<b>963,740</b>	<b>1,869,500</b>			
Current liabilities	<b>8,127,339</b>	<b>4,800,619</b>			
<b>TOTAL</b>	<b>19,313,709</b>	<b>16,278,089</b>			

TUBOS MECANICOS GROUP

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>33,302,870</b>	<b>28,962,403</b>
Fixed assets	<b>8,648,854</b>	<b>8,312,163</b>	Cost of material	19,759,277	15,998,899
Tangibles	8,197,026	8,310,786	Operating expenses	7,040,158	6,923,879
Financial	451,828	1,377			
Other			<b>Operating profit</b>	<b>6,503,435</b>	<b>6,039,625</b>
Deferred expenses	0	38,511	Depreciation	471,340	339,070
Current assets	<b>32,504,602</b>	<b>28,145,422</b>	Net financial result	(422,060)	(129,370)
Available	3,030,926	4,359,775	<b>Profits from ordinary activities</b>	<b>5,610,035</b>	<b>5,571,185</b>
Other current assets	29,473,676	23,785,647	Extraordinary results	39,000	0
<b>TOTAL</b>	<b>41,153,456</b>	<b>36,496,096</b>	<b>Profit before taxes</b>	<b>5,649,035</b>	<b>5,571,185</b>
<b>Liabilities</b>			Taxes	2,098,000	1,803,000
Shareholders' equity	<b>16,192,724</b>	<b>13,871,209</b>	<b>Net profit</b>	<b>3,551,035</b>	<b>3,768,185</b>
Capital	5,436,974	5,436,974			
Reserves	7,204,715	4,666,050			
Results for the year	3,551,035	3,768,185			
Deferred income and provisions	0	0			
Long term creditors	<b>5,437,765</b>	<b>4,716,700</b>			
Current liabilities	<b>19,522,967</b>	<b>17,908,187</b>			
<b>TOTAL</b>	<b>41,153,456</b>	<b>36,496,096</b>			

COTUBES

BALANCE SHEET	Year 2006 Euros	Year 2005 Euros	PROFIT AND LOSS ACCOUNT	Year 2006 Euros	Year 2005 Euros
<b>Assets</b>			<b>Income</b>	<b>46,656,442</b>	<b>33,952,531</b>
Fixed assets	<b>382,079</b>	<b>501,116</b>	Cost of material	42,946,680	30,864,055
Tangibles	278,095	361,019	Operating expenses	1,784,642	1,866,364
Financial	48,895	51,708			
Other	55,089	88,389	<b>Operating profit</b>	<b>1,925,120</b>	<b>1,222,112</b>
Deferred expenses	0	0	Depreciation	122,335	126,740
Current assets	<b>32,193,119</b>	<b>26,001,515</b>	Net financial result	(461,779)	(407,240)
Available	195,306	378,102	<b>Profits from ordinary activities</b>	<b>1,341,006</b>	<b>688,132</b>
Other current assets	31,997,813	25,623,413	Extraordinary results	0	0
<b>TOTAL</b>	<b>32,575,198</b>	<b>26,502,631</b>	<b>Profit before taxes</b>	<b>1,341,006</b>	<b>688,132</b>
<b>Liabilities</b>			Taxes	357,472	266,199
Shareholders' equity	<b>5,011,099</b>	<b>4,027,565</b>	<b>Net profit</b>	<b>983,534</b>	<b>421,933</b>
Capital	1,141,900	1,141,900			
Reserves	2,885,665	2,463,732			
Results for the year	983,534	421,933			
Deferred income and provisions	<b>66,736</b>	<b>66,736</b>			
Long term creditors	0	418,648			
Current liabilities	<b>27,497,363</b>	<b>21,989,682</b>			
<b>TOTAL</b>	<b>32,575,198</b>	<b>26,502,631</b>			

