TUBOS REUNIDOS GROUP

Special Products & Integral Services Worldwide

Management Report and results of first quarter FY 2018

1Q 2018

- Net turnover amount 81.0 million euros:
  - +1.2% over 1Q 2017
  - +2.5% over 4Q 2017
- EBITDA of 3.6 million euros:
  - -67.5%, -7.4 million euros, compared to 1Q 2017
  - +209.5%, +6.8 million euros over 4Q 2017
- Net earnings of -8.6 million euros:
  - -8.7 million euros compared to 1Q 2017
  - +6.3 million euros over 4Q 2017

Amurrio-Alava, 11 of May 2018 – Today Tubos Reunidos announced its results for the first quarter of 2018 compared with the results of the same period in 2017 and those of the fourth quarter of 2017.

Guillermo Ulacia, Executive Chairman of Tubos Reunidos:

" In the first quarter of 2018 we have reversed the downward trend of results in the second half of 2017, thanks to our Transforma 360 °Value Creation Programme.

Following a 60.3% increase in sales in 2017, we continue to consolidate our position in the markets with a year-on-year increment of 1.2%, in a context of uncertainty regarding US protectionist measures and where the labour impact of our cost improvement plan in the large diameter tube plant has affected turnover.

We continue to work with the representatives of the workers of Productos Tubulares to come up with measures to improve their competitiveness, once the activity in the plant was resumed at the end of April.

In an environment of market dynamism, particularly in the United States, shored up by oil prices, the uncertainty and the result of negotiations between the European Union and the United States regarding the imposition of tariffs and/or quotas on steel imports, as well as their impact in other markets and mainly that of Europe, may affect the expected upward trend of our results in over the next few quarters."

Main Financial Figures, Consolidated Group:

Consolidated, Million EUR	Q1 2018	Q1 2017	% change	Q4 2017	% change
Net Sales	81,0	80,0	1,2%	79,0	2,5%
EBITDA	3,6	11,0	(67,5%)	(3,0)	219,6%
% o. sales	*4,4%*	*13,7%*		*(3,8%)*	
EBIT	(5,6)	3,3	(268,0%)	(10,1)	45,1%
Net income for the period	(8,6)	0,1	(8095,3%)	(14,6)	41,4%

1. Consolidated Sales by Geographical Markets and Business Sectors

Net business turnover increased in the first quarter of 2018 to 81 million euros, up by 2.5% and 1.2% with regard to the previous quarter and the same period in 2017, respectively.

Tube sales, which have increased to 75.6 million euros, remain stable over sales in the first quarter of 2017 and have dropped by 4% with regard to those of the previous quarter, mainly affected by reduced sales in the large diameter plant, due to the strike that took place therein from 8 March to 20 April, as well as decreased sales of OCTG in North America as a result of the uncertainty surrounding Section 232.

Revenue by geography and sector, in thousands of euros	Q1 2018	Q1 2017	% var.	Q4 2017	% var.	% over total Q1 2018
Domestic	8.626	11.684	-26%	9.103	-5%	11%
Rest of Europe	18.770	24.563	-24%	19.658	-5%	25%
North America	35.710	28.306	26%	40.594	-12%	47%
East Asia	6.452	5.897	9%	5.638	14%	9%
MENA	5.086	4.290	19%	2.840	79%	7%
Others	1.026	1.051	-2%	595	72%	1%
Refinning&petrochemical and Power generation	19.541	23.235	-16%	17.263	13%	26%
Oil&Gas - OCTG	33.015	27.984	18%	35.783	-8%	44%
Oil&Gas - linepipes	11.391	11.478	-1%	11.653	-2%	15%
Construction, mechanical, industrial	11.723	13.094	-10%	13.731	-15%	15%
Total Group	**75.670**	**75.791**	**0%**	**78.428**	**-4%**	**100%**
Sales volume (tons)	**55.257**	**58.905**	**-6%**	**55.085**	**0%**	

Sales by geographic area of requesting customer and not by destination

During the first quarter of 2018, the oil and gas drilling activity in North American has continued to grow at a steady pace. OCTG sales have increased by 18% over those in the same period the year before; this growth would have reached 36% if the Euro/Dollar exchange rate had remained constant.

As for the fourth quarter of 2017, sales of OCTG in Tubos Reunidos have fallen by 8% due to the adverse effects of the weather conditions in the first quarter of 2018 which delayed the arrival of goods, as well as to the uncertainty regarding the imposition of tariffs on steel imports in the United States, although billing has recovered in March and April.

The 25% tariff on steel imports in the United States came into force on 23 March, having delayed the decision on the possible exemption of the European Union, among others, to 1 May. On that date, this decision was once again delayed to 1 June, with imports from the European Union thus remaining exempt until said date.

Sales of tubes for power generation, refining and petrochemicals, as well as industrial use, have behaved positively during the first quarter in the plant making tubes of up to 8 inch diameter. However, sales from the large diameter tube plant, mainly used in these sectors, dropped in the quarter as a result of the interruption of production activity in Productos Tubulares, where the workers' representatives called a strike from 8 March, which lasted 6 weeks, in response to the restructuring measures proposed by the Company. The strikes were called off and production activity resumed to normal on 20 April.

2. Analysis of Consolidated Results

The EBITDA increased to 3.6 million euros in the first quarter of 2018, which means an increase of 6.8 million euros over the negative amount of 3.3 million euros of the previous quarter. This increase has been possible thanks to the results of the Transforma|360^0 plan, which have helped counteract the negative effects of the new increase in the cost of scrap (+5.5%), of the dollar depreciation (-4.1%) and of the strike in the large diameter tube plant.

The EBITDA margin on sales has reached 4.4% on sales, equal to a rise of 8.2 percentage points over the margin of the fourth quarter of 2017, where the production and efficiency improvements have offset the lesser weight of higher margin products of the large diameter tube plant and of the OCTG sales in North America of greater added value in the sales of the first quarter of 2018.

As for the first quarter of 2017, the EBITDA for the period has dropped by 7.4 million euros due to the effect of the cumulative increase in the cost of scrap metal and the depreciation of the dollar in that period, which have risen to 18% and 13% respectively, and unable to be offset for the time being by the results of productivity, cost and product mix improvements obtained to date. Thus, the EBITDA for the quarter would have been 10.9 million euros higher than that obtained, had the currency rate and cost of commodities remained the same as that of the first quarter of 2017.

During the first quarter of 2018, an agreement for the sale of one of real state asset which is expected to be formalised by 30 June 2018; for this reason, the value thereof has been impaired in the income statement of the first quarter in order to bring it in line with the value agreed in the sales contract, by 1.9 million euros.

It is also worth mentioning that in the first quarter of the year, the Tubos Reunidos Group has reflected the impact of the modification of the Corporate Income Tax Law by the Provincial Government of Alava during the month of March. The impact of this measure has led to posting corporate income tax expenses of 0.8 million euros.

Therefore, the net result of the Group in the period has amounted to a negative 8.6 million euros, compared to the positive amount of 0.1 million euros in the same period the year before, with an increase of 6.3 million euros over the negative result of the fourth quarter of 2017.

3. Cash Flow and Net Financial Debt

The conjunctural effects of the production stoppages in the large diameter tube plant and the uncertainties in the United States affected the operating cash flow [1] of the period, reaching 0.6 million euros, 12.7 million euros higher than that of the fourth quarter of 2017. The working capital variation has led to an increase of 13.7 million euros, due to the conjunctural increase in inventory in the United States, lower sales and uncertainties regarding protectionist measures, as well as the effects, also economical, of the interruption in production activity and dispatches from Productos Tubulares during the strike. The normalisation of the situation since March has allowed for a reduction in the levels of working capital in the second quarter.

Net capital investments in the period have amounted to 3.2 million euros, including the divestment of a building that has generated a cash inflow of 1.8 million euros. Investment payments have reached 5 million euros, equal to a 47% reduction over that in the same period in 2017, due to having settled all outstanding payments under the 2012-2016 investment plan.

Free cash flow [2] in the period has reached a negative amount of 16.3 million euros and net financial debt [3] at 31 March 2018 reached 230.7 million euros, having increased by 17.7 million euros over that of December 2017, which amounted to 213 million euros.

4. Value Creation Plan – Transforma 360^0

From the beginning of the execution of the Transforma 360^0 Plan to the start of the second half of 2017, the implementation of 70 initiatives has been completed, having achieved 27% of the improvement target of 45 million of recurring EBITDA by 2020 over a *base EBITDA* [4].

The impairment of the Group's EBITDA in 2017, compared to the base EBITDA, mainly arising from the negative effect of the increase in cost of commodities and the depreciation of the dollar, not transferred to prices in a market affected by high competition, led the Company to commence a process of negotiation with the workers' representatives regarding the restructuring of its large diameter tube manufacturing business, Productos Tubulares, including measures in addition to those established in the Transforma|360 Plan^0 for this business.

---

1 *Operating cash flow is calculated as the cash flow from operating activities before working capital investment/divestment.*

2 *Free cash flow is calculated as operating cash flow plus cash flow from working capital variations plus cash flow from net capital investments*

3 *Net financial debt calculated as third party funding (not including related party borrowings) minus other current financial assets, derivative financial instruments and cash and equivalents.*

4 Base EBITDA: 2014 TMs, 2017 prices and product mix.

After 6 weeks' strike in the plant of Productos Tubulares, activity was resumed on 20 April and negotiations continue with workers' representatives to implement measures to enhance the company's competitiveness and guarantee its long term sustainability.

5.- Outlook

The drilling activity of *shale* in the United States continues to grow steadily, supported by oil and gas prices and maintaining a rising demand for OCTG in both volumes and prices.

The segment of tubes for the industrial and mechanical sectors remains dynamic, whereas in all other markets and sectors, growth is more moderate and price levels continue to be affected by high competition.

The trend of our results in coming quarters, including the positive effects of the advances in the execution of the Transforma 360° Plan, will depend on the final decisions, and possible effects, still uncertain, in relation to the imposition of quotas and/or tariffs to steel imports from the European Union, and the agreed measures in the negotiation with Productos Tubulares social representation after the return to activity on April 20.

Financial Statements

INCOME STATEMENT, Thousands of Euros	Q1 2018	Q1 2017	% Q1 2018 vs. Q1 2018	Q4 2017	% Q1 2018 vs. Q4 2017
Net sales	**80.964**	**80.004**	*1,2%*	**79.021**	*2,5%*
Changes in inventory	5.114	11.689	*(56,2%)*	(9.096)	*156,2%*
Supplies	(37.734)	(39.438)	*4,3%*	(32.206)	*(17,2%)*
Labor costs	(23.596)	(24.605)	*4,1%*	(24.134)	*2,2%*
Other operating expenses	(21.496)	(18.723)	*(14,8%)*	(18.810)	*(14,3%)*
Other operating income and net gains/(losses)	312	2.037	*(84,7%)*	1.970	*(84,2%)*
EBITDA	**3.564**	**10.964**	*(67,5%)*	**(3.255)**	*209,5%*
Depreciation and amortisation charge	(9.129)	(7.652)	*(19,3%)*	(7.150)	*(27,7%)*
EBIT	**(5.565)**	**3.312**	*(268,0%)*	**(10.405)**	*46,5%*
Financial income/(expense)	(3.595)	(2.483)	*(44,8%)*	(6.144)	*41,5%*
Profit before income tax	**(9.160)**	**829**	*(1204,9%)*	**(16.549)**	*44,6%*
Profits tax	229	240	*(4,6%)*	1.216	*(81,2%)*
Consolidated profit for the period	**(8.931)**	**1.069**	*(935,5%)*	**(15.333)**	*41,8%*
Profit from non continuing operations	-	(1.329)	*100,0%*	-	-
Consolidated profit for the period	**(8.931)**	**(260)**	*(3335,0%)*	**(15.333)**	*41,8%*
Profit from minority interests	376	367	*2,5%*	462	*(18,6%)*
Profit for the period	**(8.555)**	**107**	*(8095,3%)*	**(14.871)**	*42,5%*

Special Products & Integral Services Worldwide

BALANCE SHEET, Thousands of Euros	1Q 2018	FY 2017
NON-CURRENT ASSETS	**412.602**	**426.557**
Inventories and customers	132.310	117.640
Cash and other cash equivalents	29.132	19.398
CURRENT ASSETS	**161.442**	**137.038**
Assets held for sale	--	--
TOTAL ASSETS	**574.044**	**563.595**
NET EQUITY	**134.301**	**144.389**
DEFERRED REVENUES	**12.771**	**13.114**
Non-current provisions	2.139	1.932
Bank borrowings and other financial liabilities	189.774	191.540
Fixed income securities	15.138	15.119
Other non-current liabilities	52.006	56.985
NON-CURRENT LIABILITIES	**259.057**	**265.576**
Short-term provisions	3.091	2.163
Bank borrowings and other financial liabilities	54.937	25.726
Other current liabilities	109.887	112.627
CURRENT LIABILITIES	**167.915**	**140.516**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**574.044**	**563.595**
Net financial debt	**230.717**	**212.987**

Cash Flow, Millions of Euros	Q1 2018	Q1 2017	Q4 2017
Result before Taxes	**-9,2**	**0,8**	**-16,6**
- Amortisation	9,1	7,7	7,2
- Other Adjustments	0,7	-2,2	-2,8
CASH FLOW FROM OPERATING ACTIVITIES	**0,6**	**6,3**	**-12,1**
- Change in Working Capital	-13,7	-11,8	30,8
- Investments Activities	-3,2	-8,9	-3,3
Investments	-5	-9,4	-3,6
Withdrawals	1,8	0,5	0,3
FREE CASH FLOW	**-16,3**	**-14,4**	**15,4**

Information and Forward-Looking Statements

The financial and operational information included in this notice is based on unaudited consolidated financial statements. This document has been prepared by TUBOS REUNIDOS, S.A., which distributes it exclusively for information purposes. This document contains forward-looking statements and includes information regarding our current intent, belief or expectations about future trends and events that could affect our financial condition, the results of operations or the value of our shares. These forward-looking statements are not guarantees of future performance, and they entail risks and uncertainties. Therefore, actual results may differ

significantly from the forward-looking statements, as a result of various factors, risks and uncertainties, such as economic, competitive, regulatory or commercial factors.
Both the information and conclusions contained herein are subject to change without prior notice. TUBOS REUNIDOS, S.A. undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. The results and developments indicated could differ significantly from those indicated in this document.