Special Products & Integral Services Worldwide

Management Report and Results for the fourth quarter and for 2018

2018

- Net turnover amount €342.5 million: +10% year-on-year
- EBITDA of €18.6 million +58% year-on-year
- Net earnings of -€34.4 million: -6% year-on-year
- Net earnings (without extraordinary*) of -€16.5 million: +49% year-on-year

Q4 2018

- Net turnover amount €87.9 million: +11% year-on-year
- EBITDA of €1.1 million +€4.4 million year-on-year
- Net earnings of -€18.7 million: €6.5 million year-on-year reduction
- Net earnings (without extraordinary*) of -€10.4 million: +15% year-on-year

(*) Please see further details and the explanation in section 2

Amurrio-Alava, 27 February 2019 – Today, Tubos Reunidos announced its fourth quarter and 2018 results, compared with the results for the same period of 2017 and the third quarter of 2018.

Main Financial Figures of the Consolidated Group:

Consolidated, Million EUR	Q4 2018	Q3 2018	% change	Q4 2017	% change	Y2018	Y2017	% change
Net Sales	87,9	82,4	7%	79,0	11%	342,5	312,5	10%
EBITDA	1,1	3,2	(67%)	(3,3)	n.a.	18,6	11,8	58%
% o. sales	*1,2%*	*3,9%*		*(4,1%)*		*5,4%*	*3,8%*	
EBIT	(19,4)	(2,0)	(870%)	(10,4)	(86%)	(31,0)	(16,0)	(94%)
Net income for the period	(18,7)	(3,8)	(396%)	(12,2)	(53%)	(34,4)	(32,4)	(6%)
Net incomewithout extraordinary impairments*	(10,4)	(3,8)	(175%)	(12,2)	15%	(16,5)	(32,4)	49%

** Extraordinary adjustments to the value of tax credits, real estate assets and R&D+i, recorded in 2018, totalling €9.5 million and the impairment of the value of assets for €7.4 million, net of tax effect and external partners. .*

1.- Consolidated Sales by Geographical Markets and Business Sectors

Net turnover amount rose to €342.5 million, which entails a 10% increase compared with €312.5 million in 2017.

Piping sales, amounting to €313.8 million, were up 5% from €297.9 million in 2017. Prices increased in the period by 9% on the back of growth in demand, a better product mix and positive results of the commercial strategy set out in the TR|360^0 project, the volume of tons sold is reduced by 3%.

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Revenue by geography and sector, in thousands of euros	Q4 2018	Q3 2018	Change, %	Q4 2017	Change, %	2018	2017	Change, %
Domestic	7.000	9.227	-24%	5.970	17%	29.412	38.733	-24%
Rest of Europe	16.879	16.453	3%	17.782	-5%	68.573	81.752	-16%
North America	32.981	40.780	-19%	43.020	-23%	152.571	131.941	16%
East Asia	7.908	5.655	40%	5.893	34%	29.358	25.849	14%
MENA	5.260	4.928	7%	484	986%	22.491	14.736	53%
Others	2.242	735	205%	7.421	-70%	11.416	4.934	131%
Refinning&petrochemical and Power Generation	20.213	20.121	0%	20.079	1%	81.199	91.226	-11%
Oil&Gas - OCTG	24.965	25.608	-3%	33.499	-25%	125.026	110.214	13%
Oil&Gas - linepipes	15.792	8.856	78%	16.793	-6%	60.417	42.794	41%
Construction, mechanical, industrial	11.300	11.647	-3%	10.199	11%	47.179	53.711	-12%
Total Group	**72.270**	**77.779**	-7%	**80.570**	-10%	**313.821**	**297.945**	5%
Sales volume (tons)	**47.588**	**55.085**	-14%	**47.491**	0%	**212.944**	**220.606**	-3%

Sales by geographic area of requesting customer and not by destination

The increase in the amount of piping sales is based on the growth of utility pipes that increased by 41%, in terms of volumes and prices, mainly in North America and the Middle East; as well as higher sales of OCTG that increased by 13%, mainly on the back of the increase in prices during the year, as well as by the delivery of the premium thread pipe contract of the new TRPT plant intended for North Africa.

During 2018 oil and gas drilling and production activity remained dynamic in the United States, mostly in shale technologies, with an increase in the average number of active rigs of 18% compared with 2017. Meanwhile, imports to the United States reduced by 17% in 2018, impacted by the protectionist measures under Section 232 in force since 1 June 2018, as well as by the reduction of inventories of distributors in the last part of the year. Outside of the United States, there was a 2% growth in the average number of active platforms.

The increase in utility pipelines and OCTG compensated for the drop in sales in the refining, petrochemical and power generation sectors, as well as in the construction and mechanical sectors, which decreased by 11% and 12%, respectively, due to the lower activity of the large-diameter plant impacted by short-term productive stoppages, as well as by the indirect effects on the European market of the United States tariff measures.

By geographical markets, sales increased in all markets outside Europe: by 16% in North America, supported by utility pipelines and OCTG, by 53% in the Middle East and 14% in the Far East, on the back of higher sales of utility pipelines and new pipeline projects and in other markets such as North Africa thanks to the deliveries of the contract for the new TRPT plant.

Sales were down by 24% in Spain and by 16% in the rest of Europe, mainly due to the indirect effects of the application of section 232 of the United States, which implied an increase in imports from countries with quotas to export to this market in Europe.

During 2018, provisional safeguard measures were imposed on steel imports to Europe. Although the seamless steel tubes were excluded during 2018, they were included in the definitive measures in force since 4 February 2019. In the fourth quarter, net turnover amounted to €87.9 million, up 11% from the same period in 2017.

Pipeline sales amounted to €72.3 million, accounting for a 7% decrease compared with the fourth quarter of 2017, with a 14% reduction in the volume of tonnes sold, resulting from the effects of Section 232, with a reduced demand for distributors in the United States and an increase in competition in Europe.

2.- Analysis of Consolidated Results

The Group's EBITDA[1] amounted to €18.6 million in 2018, accounting for an increase of 58% over the EBITDA for financial year 2017. The EBITDA margin on sales reached 5.4%, which accounts for a 1.6 p.p. increase over the 2017 margin.

The higher sales prices and the better product mix, together with the results preview of the Transforma|360^0 Plan, made it possible to compensate the negative effects of the lower productive activity of the large-diameter plant and the protectionist measures of the United States in the second part of the year, as well as the increase in raw materials with an increase in scrap and the devaluation of the USD by 12% and 3.6% throughout the year, respectively.

During financial year 2018, the Group recorded impairments[2] in the profit and loss account for an amount of €22.3 million, of which €17.9 million impacted the final net result attributable to Tubos Reunidos after taxes and minority interests, which amounted a negative figure of €34.4 million. Consequently, without this extraordinary and non-recurring effect, the operating result stands at a negative amount of €16.5 million, up 49% from the €32.4 million loss during the same period of the previous year.

EBITDA for the fourth quarter amounted to €1.1 million, accounting for an increase of €4.4 million compared with the same period in 2017. The net result, before the extraordinary impairment of the assets' value made in the fourth quarter for an amount of €8.4 million, amounted to a negative amount of €10.4 million, accounting for an improvement of €1.8 million compared with the same period of the previous year. These results show the impact of lower sales profitability, impacted by the 25% tariff to the North American Administration and the lower use of productive capacity in the fourth quarter.

[1] *(*) EBITDA calculated as the operating result plus the amortisation expense.*

[2] *€5.8 million in adjustment of the value of tax credits; €4.0 million correspond to the impairment of real estate assets; €12.5 million to the impairment in the value of tangible and intangible assets to adjust it to the reality of the market situation following the establishment of tariff protection measures in the United States of America.*

3.- Financial situation

Throughout the year, operating cash flow[3] reached a positive amount of €10.2 million, compared with a negative amount of €8.2 million in the same period in 2017, accounting for an increase of €18.4 million.

Investment in working capital posted a negative amount of €8.1 million, compared with the divestment of €12.1 million in 2017, on the back of the increase in sales and activity in general. Net capital investments prompted a cash flow generation of €0.8 million compared with a negative amount of €19.2 million in the previous year.

In 2018, payments for investments reached €11.8 million, accounting for a reduction of €8.6 million compared with 2017. Funds for €11 million were obtained for the divestment of real estate assets not impacted by the business.

Free cash flow[4] obtained in the period amounted to €1.3 million, entailing a €16.6 million increase compared with the previous financial year. Net financial debt [5]as at 31 December 2018 stood at €218.3 million.

As reported to the CNMV and the market in general, Tubos Reunidos started the adaptation process of its business plan after the enforcement of tariff protection measures in the United States of America and is working alongside its financial institutions to adapt its financing structure and reinforce the growth objectives and to improve operational development.

This is an ongoing process which is being developed according to scheduled terms.

4. Value Creation Plan -Transforma|360^0

Since the onset of the implementation of the Transforma|360^0 Plan, at the beginning of the second half of 2017 and at the end of 2018, the implementation of 96 initiatives that involve the achievement of €24.5 million in terms of improvement of the base EBITDA was completed[6], which entails the fulfilment of 54.5% of the improvement target of €45 million recurring EBITDA in 2020. Furthermore, the working capital needed to operate by the company was reduced by €12.2 million on a recurring basis.

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[3] *Operating cash flow is calculated as the cash flow from operations before investment/divestment of working capital.*

[4] *Free cash flow is calculated as operating cash flow plus cash flow due to the working capital variation plus the cash flow of net capital investments*

[5] *Net financial debt calculated as external resources (not counting loans with related entities) minus other current financial assets, derivative financial instruments and cash and other equivalent liquid resources.*

[6] *Base EBITDA: 2014 Tonnes, 2017 prices and product mix.*

5.- Outlook

After the high increase in demand for OCTG in the United States in 2017 (+87%) and 2018 (+17%), the latter halted during the second part of the year, due to the limitations on transport capacity from the region of the Permian and Canada. At the beginning of 2019, the number of active rigs was reduced on the back of the drop in oil prices since October 2018 and the uncertainty about their stabilisation also affected demand from the distributors. Throughout 2019, expectations of solid demand levels remain, given the competitiveness of shale technology and the expansion of transport infrastructure in the third quarter.

For its part, contracting orders in the segments of power generation, refining and petrochemicals, as well as utility pipelines and mechanics, are developing positively in the first quarter of 2019, as a result of the commercial and technical management initiatives implemented within the Transforma Plan|360^0 . Additionally, the final safeguard measures in the European Union, in force since 4 February 2019, in which seamless pipes have been included, represent a protection against the significant increase in imports, which enables a better balance between supply and demand in Europe with the subsequent reduction of price pressure.

Tubos Reunidos expects to keep its positive sales levels in 2019 and continue delivering results from its TR Plan|360, thereby mitigating the negative effect that the tariffs on exports to the United States under Section 232 incurred in 2018 and expected to be incurred to a greater extent in 2019.

In the short term, activity levels in the first quarter are impacted by the reduction in demand from distributors in the United States, although the expected reactivation and the higher contracting and strong portfolio in other sectors that will be billed as of the second quarter, would consolidate the sales made in 2018. In order to adapt costs to the lower use of productive capacity at the beginning of 2019, Tubos Reunidos is adopting temporary measures through the implementation of lay-offs.

Tubos Reunidos is following the plan projected in terms of the process with its financial entities in order to adapt the Group's financing structure to the new context.

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Financial Statements

INCOME STATEMENT, Thousands of Euros	Q4 2018	Q4 2017	Q4 2018 vs. Q4 2017	Y2018	Y2017	Y2018 vs. Y2017
Net sales	**87.927**	**79.021**	*11,3%*	**342.512**	**312.521**	*9,6%*
Changes in inventory	3.354	(9.096)	*136,9%*	4.215	(4.756)	*188,6%*
Supplies	(36.650)	(32.206)	*(13,8%)*	(150.733)	(136.867)	*(10,1%)*
Labor costs	(25.143)	(24.134)	*(4,2%)*	(90.123)	(93.884)	*4,0%*
Other operating expenses	(31.894)	(18.810)	*(69,6%)*	(95.535)	(74.148)	*(28,8%)*
Other operating income and net gains/(losses)	3.460	1.970	*75,6%*	8.279	8.922	*(7,2%)*
EBITDA	**1.054**	**(3.255)**	***132,4%***	**18.615**	**11.788**	***57,9%***
Amortisation charge	(7.631)	(7.150)	*(6,7%)*	(27.297)	(27.755)	*1,7%*
Depreciation	(12.776)	-	*--*	(22.305)	-	*--*
EBIT	**(19.353)**	**(10.405)**	***(86,0%)***	**(30.987)**	**(15.967)**	***(94,1%)***
Financial income/(expense)	(3.540)	(3.496)	*(1,3%)*	(10.932)	(16.308)	*33,0%*
Profit before income tax	**(22.893)**	**(13.901)**	***(64,7%)***	**(41.919)**	**(32.275)**	***(29,9%)***
Profits tax	882	1.216	*(27,5%)*	3.042	1.847	*64,7%*
Consolidated profit for the period	**(22.011)**	**(12.685)**	***(73,5%)***	**(38.877)**	**(30.428)**	***(27,8%)***
Profit from non continuing operations	(500)	-	*--*	(500)	(3.569)	*86,0%*
Consolidated profit for the period	**(22.511)**	**(12.685)**	***(77,5%)***	**(39.377)**	**(33.997)**	***(15,8%)***
Profit from minority interests	3.779	462	*718,0%*	4.950	1.600	*209,4%*
Profit for the period	**(18.732)**	**(12.223)**	***(53,3%)***	**(34.427)**	**(32.397)**	***(6,3%)***

** Not taking into account the extraordinary value impairments of tax credits and assets*

BALANCE SHEET, Thousands of Euros	FY 2018	FY 2017
NON-CURRENT ASSETS	**359.716**	**426.557**
Inventories and customers	127.658	117.640
Cash and other cash equivalents	40.010	19.398
CURRENT ASSETS	**167.668**	**137.038**
Assets held for sale	--	--
TOTAL ASSETS	**527.384**	**563.595**
NET EQUITY	**105.121**	**144.114**
DEFERRED REVENUES	**4.599**	**13.114**
Non-current provisions	1.952	1.932
Bank borrowings and other financial liabilities	168.351	191.540
Fixed income securities	15.195	15.119
Other non-current liabilities	46.136	56.985
NON-CURRENT LIABILITIES	**231.634**	**265.576**
Short-term provisions	5.690	2.438
Bank borrowings and other financial liabilities	74.797	25.726
Other current liabilities	105.543	112.627
CURRENT LIABILITIES	**186.030**	**140.791**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**527.384**	**563.595**
Net financial debt	**218.333**	**212.987**
Net working capital	**26.675**	**18.571**

TUBOS REUNIDOS GROUP

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Cash Flow, Millions of Euros	Q4 2018	Q4 2017	2018	2017
Result before Taxes	**-22,9**	**-16,6**	**-41,9**	**-32,3**
- Amortisation	20,4	7,2	49,6	27,8
- Other Adjunstments	0,3	-2,8	2,5	-3,8
CASH FLOW FROM OPERATING ACTIVITIES	**-2,2**	**-12,1**	**10,2**	**-8,2**
- Change in Working Capital	8,4	30,8	-8,1	12,1
- Investments Activities	-1,1	-3,3	-0,8	-19,2
Investments	-5,0	-3,6	-3,6	-3,6
Withdrawals	1,8	0,3	0,3	0,3
FREE CASH FLOW	**5,1**	**15,4**	**1,3**	**-15,3**

Information and Forward-Looking Statements

The financial and operating information included in this report is based on consolidated financial statements, on which the Company's auditor has issued its Limited Review Report, which has been duly sent to the CNMV. 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.