Special Products & Integral Services Worldwide

Management Report and Results for the third quarter and first nine months of 2018

3Q 2018

- Net turnover amount 82.4 million euros: +18% year-on-year
- EBITDA of 3.2 million euros +4.5 million euros year-on-year improvement
- Net earnings of -3.8 million euros: -5,6 million euros year-on-year improvement

9M 2018

- Net turnover amount 254.6 million euros: +9% year-on-year
- Net earnings of -15.7 million euros: +3.5 million euros year-on-year improvement
- EBITDA of 17.6 million euros, + +17% year-on-year
- Net earnings (without extraordinary impairments) of -6.2 million euros: an improvement of 14 million euros year-on-year

Amurrio-Alava, 07 November 2018 – Today Tubos Reunidos announced its 3Q and first nine months of 2018 results compared to the results for the same period in 2017.

Main Financial Figures, Consolidated Group:

Consolidated, Million EUR	Q3 2018	Q2 2018	% change	Q3 2017	% change	9M 2018	9M 2017	% change
Net Sales	82,4	91,2	(10%)	70,0	18%	254,6	233,5	9%
EBITDA	3,2	10,8	(70%)	(1,3)	349%	17,6	15,0	17%
% o. sales	*3,9%*	*11,8%*		*(1,8%)*		*6,9%*	*6,4%*	
EBIT	(2,0)	(4,1)	51%	(6,6)	70%	(11,6)	(5,6)	(109%)
Net income for the period	(3,8)	(3,4)	(12%)	(9,4)	60%	(15,7)	(20,2)	22%
Net income for the period adjusted*	(3,8)	4,3	(189%)	(9,4)	60%	(6,2)	(20,2)	69%

**Without extraordinary impairments of tax credits and the value of real estate assets recorded in 2018 for an amount of 9.5 million euros*

1.- Consolidated Sales by Geographical Markets and Business Sectors

The net turnover amount rose to 254.6 million euros in the first nine months of 2018, posting a 9% increase compared to the same period of 2017.

Pipe sales, amounting to 241.6 million euros, increased by 10% compared to the first months of 2017, on the back of higher prices and the increased OCTG activity in North America as well as in Africa, with increasing deliveries of premium threaded pipe in Tubos Reunidos Premium Threads (TRPT), for our sales contract with Marubeni Itochu Tubulars Europe. This higher turnover has offset the slight decrease in sales in the power generation, refining and petrochemical sectors, as well as mechanical and industrial, impacted by the six-weeks' production stoppage of our large-diameter facility, the slower reactivation of global projects and increased competition due to the indirect effects of the US tariff measures in other markets, mainly in Europe.

Revenue by geography and sector, in thousands of euros	Q3 2018	Q2 2018	Change, %	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Domestic	5.970	7.816	-24%	7.337	-19%	22.413	29.506	-24%
Rest of Europe	17.782	15.142	17%	18.520	-4%	51.694	65.299	-21%
North America	43.020	40.860	5%	29.634	45%	119.590	91.162	31%
East Asia	5.893	9.105	-35%	4.680	26%	21.449	20.193	6%
MENA	484	11.661	-96%	3.040	-84%	17.231	9.808	76%
Others	7.421	727	921%	1.406	428%	9.174	4.199	119%
Refinning&petrochemical and Power generation	20.079	21.367	-6%	17.663	14%	60.986	63.458	-4%
Oil&Gas - OCTG	33.499	33.547	0%	24.956	34%	100.061	84.606	18%
Oil&Gas - linepipes	16.793	16.441	2%	9.797	71%	44.625	33.938	31%
Construction, mechanical, industrial	10.199	13.956	-27%	12.203	-16%	35.879	38.165	-6%
Total Group	**80.570**	**85.310**	-6%	**64.619**	25%	**241.550**	**220.167**	10%
Sales volume (tons)	**47.491**	**59.371**	-20%	**47.126**	1%	**162.119**	**165.522**	-2%

Sales by geographic area of requesting customer and not by destination

During the first nine months of 2018, drilling activity and oil and gas production has remained dynamic in the United States, with an increase in the average number of active rigs (18%), compared to the same period last year. This way the strength of OCTG's demand has continued. Tubos Reunidos has captured the growth of this market, both in terms of volumes and, to a greater extent, in prices, which, together with the higher sales of OCTG Premium threaded product in TRPT outside North America, has enabled an 18% increase in OCTG turnover compared to 2017, a 31% sales growth in North America and a higher turnover in the Middle East and Africa of 76%.

On 1 June, the implementation of the protectionist measures by the United States under Section 232 has come into force, which entails the enforcement of quotas on certain countries and the payment of a 25% tariff on others –including EU members– for exports into the US. Since then, there have been lower imports from the United States and a lower growth in the demand of OCTG distributors compared to the first half of the year, as a result of the previous stockpiling and the uncertainty regarding continuity and open negotiations around these measures.

Sales up to September have dropped by 24% in Spain and 21% in the rest of Europe, mainly on the back of the indirect effects of the enforcement of section 232 by the United States. At the end of August 2018, imports in Europe amounted to 327,423 TMs, with a 32.5% increase over the same period of the previous year mainly derived from countries with quotas to the United States, in addition the European manufacturers face greater competition due to the reduction of their exports to the American market.

Sales in the third quarter, with lower activity due the holiday period, reached 80.5 million euros and have been supported by the volumes and prices of the portfolio at the end of the first half of the year, with a 25% increase over the same period of the previous year. However, the input rate of new orders has decreased, reducing the portfolio at the beginning of the fourth quarter.

2.- Analysis of Consolidated Results

The Group's EBITDA amounted to 17.6 million euros in the first nine months of 2018, leaving a 7% margin in the net amount of turnover and a 17% increase in the EBITDA for the same period in 2017.

The higher sales, both in terms of volumes and prices and the positive results of the Transforma|360^0 Plan, have made it possible to offset the negative effects of the 6% depreciation of the dollar, the 15% increase in the cost of scrap compared to the same period last year.

The net earnings of the first nine months of 2018 would have been a negative amount of 6.2 million euros, compared to the 20.2 million loss in the same period of the previous year. However, this has amounted to 15.7 million euros, which includes 9.5 million euros of expenditure due to the adjustment of tax credits value, due to the entry into force of the amendments in Corporate Tax Statutory Regulation, which has reduced the tax rate, and the analysis of its recoverability in accordance with the business plan updating, as well as the deterioration of the industrial buildings value registered as real estate investments.

The lower production level and the payment of the tariff in line with Section 232 has impacted the EBITDA level in the third quarter, amounting to a positive amount of 3.2 million euros against a negative amount of 1.3 million euros corresponding to the same period of 2017.

3.- Financial situation

In the first nine months of the year, the operating cash flow[1] has reached a positive amount of 12.4 million euros, compared to 3.9 million euros in the same period in 2017, which represents an increase of 8.5 million euros. The investment in working capital stood at 16.5 million euros, 2.2 million euros less than in 2017, despite the sales increase. Net capital investments have prompted a cash flow generation of 0.3 million euros compared to a negative amount of 15.9 million euros in the previous year. In 2018, payments for investments were reduced by 6.6 million euros and funds for the divestment of real estate assets not affected by the business have been obtained of 10.5 million euros. Free cash flow[2] obtained in the period amounted to a negative amount of 3.8 million euros, which translates as a 26.9 million euros increase compared to the previous financial year. The net financial debt[3] as of 30 September 2018 stands at 222 million euros.

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

[2] *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*

[3] *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.*

As reported to the CNMV and the market in general, Tubos Reunidos has 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 developing according to plan.

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 the first nine months of 2018, the implementation of 94 initiatives that involve obtaining 23 million euros of improvement in the base EBITDA has been completed[4], implying the fulfilment of 51% of the improvement target of 45 million recurring EBITDA in 2020.

Up to September 2018, the effect of the implemented measures amounted to 13.6 million euros' improvement in the base EBITDA, and a reduction of the investment needs in working capital of 11.6 million euros.

5.- Outlook

The drilling activity in the United States remains solid while the recovery in other regions is consolidating, which is also allowing a reactivation of refining and petrochemical projects globally.

During the third quarter, the increase in oil and gas production in North America has decreased on the back of temporary limitations in transportation capacity from the Permian Basin and Canada. On the other hand, the distributors have temporarily reduced their purchases due to the previous stockpiling of material carried out before the uncertainties due to enforcement of the protectionist measures according to Section 232 of the United States.

The entry into force of quotas and tariffs since 1 June has also led to a reduction in imports into the United States, with said volume being diverted to other markets, mainly Europe, where competition has increased.

In this context, we have temporarily reduced the pace of incoming orders of Tubos Reunidos, with the subsequent need to adopt temporary flexibility measures to adapt the productive activity.

Therefore, although uncertainty about the impact and duration of the current backdrop remains, the situation should go back to normal given the solid growth expectations in terms of

[4] *Base EBITDA: 2014 Tons, 2017 prices and product mix.*

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drilling activity in the United States and the gradual reactivation in other regions, also in refining and petrochemical projects before the sustained growth of oil and gas prices.

Tubos Reunidos keeps its focus on adopting the necessary flexibility measures to tackle the context, as well as on the implementation of the Transforma|360^0 Plan and on working with its financial institutions to adapt the Group's financing structure to the new context.

Financial Statements

INCOME STATEMENT, Thousands of Euros	Q3 2018	Q3 2017	Q3 2018 vs. Q3 2017	9M 2018	9M 2017	9M 2018 vs. 9M 2017
Net sales	**82.383**	**69.957**	*17,8%*	**254.585**	**233.500**	*9,0%*
Changes in inventory	(15.480)	(13.408)	*(15,5%)*	861	4.340	*(80,2%)*
Supplies	(34.144)	(23.425)	*(45,8%)*	(114.083)	(104.661)	*(9,0%)*
Labor costs	(17.209)	(20.473)	*15,9%*	(64.980)	(69.750)	*6,8%*
Other operating expenses	(13.107)	(16.716)	*21,6%*	(63.641)	(55.338)	*(15,0%)*
Other operating income and net gains/(losses)	750	2.782	*(73,0%)*	4.819	6.952	*(30,7%)*
EBITDA	**3.193**	**(1.283)**	***348,9%***	**17.561**	**15.043**	***16,7%***
Amortisation charge	(5.189)	(5.366)	*3,3%*	(19.666)	(20.605)	*4,6%*
Depreciation	-	-	-	(9.529)	-	-
EBIT	**(1.996)**	**(6.649)**	***70,0%***	**(11.634)**	**(5.562)**	***(109,2%)***
Financial income/(expense)	(2.359)	(3.292)	*28,3%*	(7.392)	(12.812)	*42,3%*
Profit before income tax	**(4.355)**	**(9.941)**	***56,2%***	**(19.026)**	**(18.374)**	***(3,5%)***
Profits tax	204	187	*9,1%*	2.160	631	*242,3%*
Consolidated profit for the period	**(4.151)**	**(9.754)**	*57,4%*	**(16.866)**	**(17.743)**	*4,9%*
Profit from non continuing operations	-	-	*#¡DIV/0!*	-	(3.569)	*100,0%*
Consolidated profit for the period	**(4.151)**	**(9.754)**	*57,4%*	**(16.866)**	**(21.312)**	*20,9%*
Profit from minority interests	377	361	*4,4%*	1.171	1.138	*2,9%*
Profit for the period	**(3.774)**	**(9.393)**	***59,8%***	**(15.695)**	**(20.174)**	***22,2%***
Adjusted Profit for the period	**(3.774)**	**(9.393)**	***59,8%***	**(6.166)**	**(20.174)**	***69,4%***

**Without extraordinary impairments of tax credits and the value of real estate assets recorded in 2018 for an amount of 9.5 million euros*

TUBOS REUNIDOS GROUP

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BALANCE SHEET, Thousands of Euros	3Q 2018	FY 2017
NON-CURRENT ASSETS	**380.531**	**426.557**
Inventories and customers	129.890	117.640
Cash and other cash equivalents	32.576	19.398
CURRENT ASSETS	**162.466**	**137.038**
Assets held for sale	--	--
TOTAL ASSETS	**542.997**	**563.595**
NET EQUITY	**127.402**	**144.389**
DEFERRED REVENUES	**5.206**	**13.114**
Non-current provisions	2.183	1.932
Bank borrowings and other financial liabilities	179.662	191.540
Fixed income securities	15.176	15.119
Other non-current liabilities	48.751	56.985
NON-CURRENT LIABILITIES	**245.772**	**265.576**
Short-term provisions	4.861	2.163
Bank borrowings and other financial liabilities	59.874	25.726
Other current liabilities	99.882	112.627
CURRENT LIABILITIES	**164.617**	**140.516**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**542.997**	**563.595**
Net financial debt	**222.136**	**212.987**

Cash Flow, Millions of Euros	3Q 2018	3Q 2017	9M 2018	9M 2017
Result before Taxes	**-4,3**	**-9,9**	**-19,0**	**-15,7**
- Amortisation	5,2	5,4	29,2	20,6
- Other Adjunstments	-1,2	-0,5	2,2	-1,0
CASH FLOW FROM OPERATING ACTIVITIES	**-0,3**	**-5,0**	**12,4**	**3,9**
- Change in Working Capital	2,6	-2,7	-16,5	-18,7
- Investments Activities	-1,2	-3,1	0,3	-15,9
Investments	-1,4	-3,1	-10,2	-16,8
Withdrawals	0,2	0,0	10,5	0,9
FREE CASH FLOW	**1,1**	**-10,8**	**-3,8**	**-30,7**

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 no *guarantee 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.*