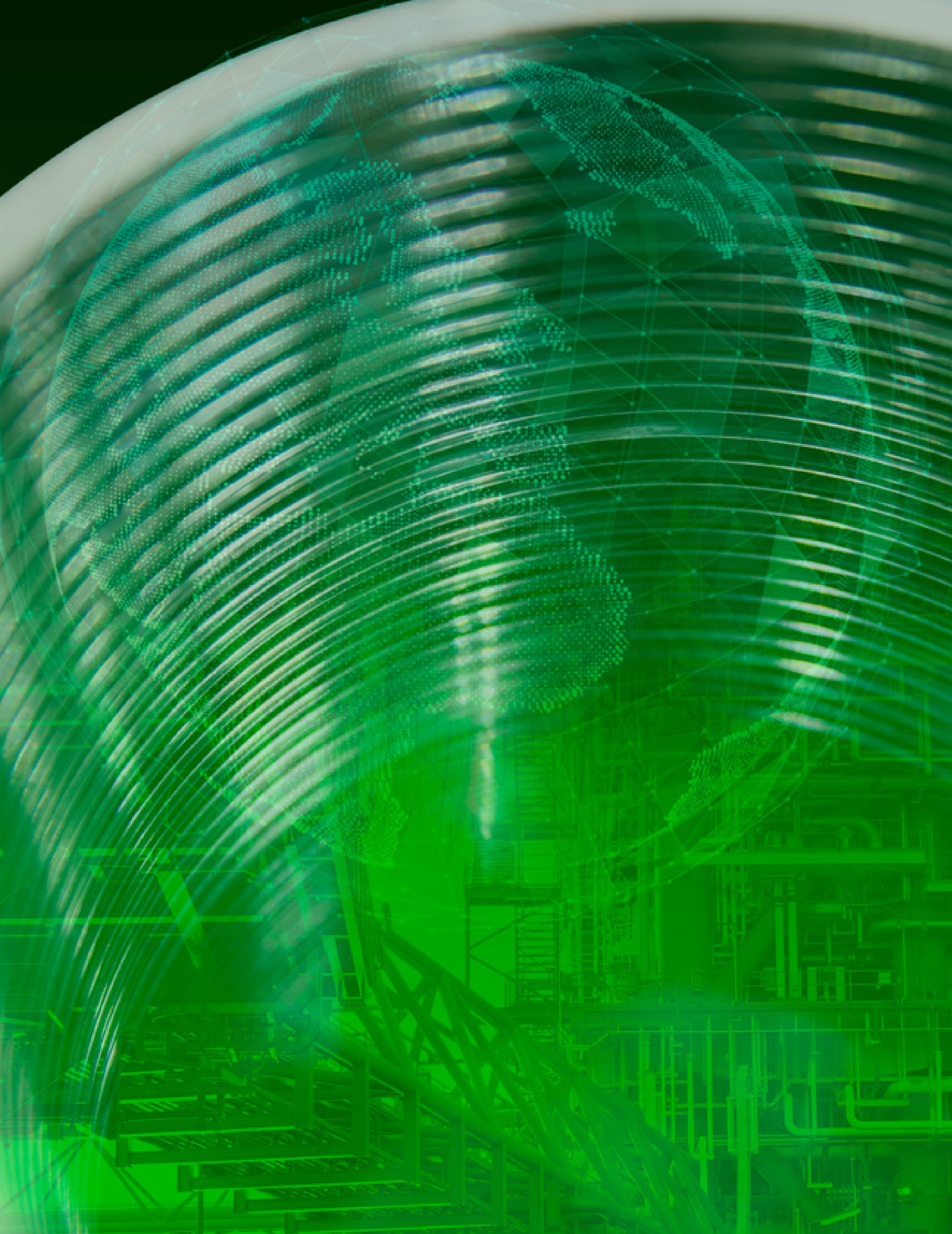
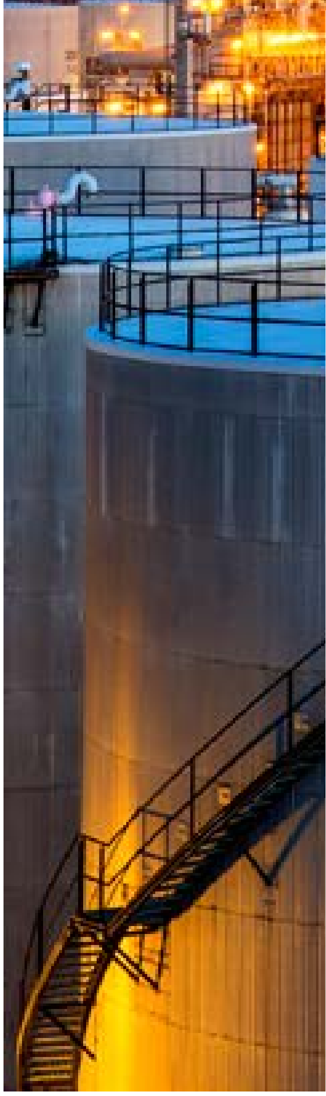
2016 ANNUAL REPORT

TUBOS REUNIDOS GROUP




TUBOS REUNIDOS GROUP
2016



1 A letter to the shareholders

The leap to a new hyperconnected business generation.

Dear shareholder

Throughout our 125 years of history since Tubos Forjados, the precursor of TUBOS REUNIDOS, was founded in 1892 we have had to deal with several lean periods in the world economy which fortunately we have been able to overcome, from the energy crisis of 1973 to the fall of Lehman Brothers in 2008, to mention only couple of the most significant in the contemporary era.

From the point of view of the energy sector, in 2016 we reached the climax of an “economic-technological war” between the oil producing countries and the emergence of new, non-conventional petroleum and gas drilling and production companies, mainly in the United States, based on harnessing oil shales and fracking.

This confrontation caused oil prices to plummet by up to 75 percent to reach a low of USD 26.39/barrel of Brent in January 2016, down from USD 110/barrel before prices began to fall in 2014. One of the effects of this trade war was that new investment in prospecting and drilling by energy companies was cancelled or postponed and wide and systematic closure of new incumbent operators occurred due to lack of profitability.

These investments, after declining in 2015, dropped by 23% worldwide in 2016 and 38 percent in the United States compared to the previous year’s figures, with a fall of 48 percent in the number of drilling rigs in operation.

TUBOS REUNIDOS, which devotes more than 75 percent of its products and solutions to the energy sector (oil and gas, petrochemicals, renewable energy, etc.), was forced to manage a critical dilemma in 2016.

On one side of the balance we needed to complete the plan to upgrade the facilities and develop a portfolio of more specialised products and implement a new industrial configuration in Spain and North America as the essential bases, embodied in our strategic plans, of differentiation and future growth. This plan has entailed an investment of 334 million euros in tangible and intangible fixed assets over the last ten years.

On the other side, we came face to face for the second year in succession with the difficult context of a market conditioned by downward pressure on oil prices, the consequent drop in the demand for seamless piping and an excess of installed capacity, especially in China, that led to a sharp downturn in both volumes and prices that reached, in our case, 16 and 17 percent respectively compared to the previous year.

This business environment led to a 30 percent decrease in the GROUP’s net turnover, which bottomed out at 195 million euros, a negative operating margin (EBITDA) of 15.5 million euros and a negative net outcome for the financial year of 50.2 million euros. The Company was carrying 195 million euros of financial debt, partly due to the investment projects undertaken in the last few years.

These financial outcomes are disappointing and knowing that they are similar to those of our main worldwide competitors is no consolation. They are also disquieting due to their impact on TUBOS REUNIDOS’ capacity for sustainability.

The measures undertaken - such as workforce redundancies, extraordinary efficiency and transformation plans and salary reductions of the board of directors, executive committee and a significant proportion of workers not covered by the collective agreement - proved to be insufficient to prevent closing the year with one of the worst outcomes in our long history.

The response of the Board of Directors was a decisive intervention to rectify the course of the project on the basis of four main measures:

i. To concentrate the GROUP's business on the core activity of manufacture of seamless piping, divesting the automotive business and placing the distribution business of the subsidiary Almesa on the market. These two businesses are among the GROUP's non-strategic assets. The automotive business, of which TUBOS REUNIDOS had a 50 percent holding, was sold to the German group Mubea for 33 million euros in June 2016 and sale of Almesa is will be finalised within the next few weeks.

ii. Acquisition of the industrial assets of Rotary Drilling Tools (RDT) in the United States as the backbone of future growth and which is already bearing fruit in 2017.

iii. Drafting of the 2017-2022 Business Plan, the basis for restructuring the financial debt in order to synchronise the repayment instalments of the same with the cash-flow generation capacity of the GROUP in the near future.

iv. Selection of a new leader in Guillermo Ulacia Arnaiz, a highly experienced manager from the steel-making sector, as the new Executive Vice-President with the mission of identifying and implementing the potential for improvement through application of the best practices in the sector to enable profitable and sustainable growth over the next three years on the basis of the existing strengths of the GROUP.

As a result we have obtained the support of the banking pool made up of BBVA, Santander, Popular, Sabadell, Kutxabank, Caixabank, Caja Rural de Navarra, Bankoa, Bankinter and the Official Credit Institution (ICO), who signed a syndicated loan of 208 million euros on 12 May and agreements for another 92 million to finance working capital. The EIB also joined the project by redefining the repayment schedule in accordance with the rest of the banking pool.

In 2016 we continued to reinforce the values that are the hallmark of TUBOS REUNIDOS in its dealings with customers: quality and fast response to meet their requirements. To do so we carried out an intensive review of the GROUP's product catalogue to adapt it to both the research, development and innovations introduced by our product engineering and technology team and to harness the specific *ad hoc* products of the manufacturing process acquired with the purchase of RDT.

As an example we would like to highlight completion of the entire range of products for the OCTG industry with the commercial launch of four new products, the most technically complex of the range from both the manufacturing viewpoint and due to the demands on the specifications of the final product (mechanical and corrosion resistance properties).

Our R&D+i programme also includes development of new grades of high-alloy steel (containing from 13 percent chrome up to 19 percent) that will enhance our value proposals to customers.

The technical synergies enable us to extrapolate these advances to the other product segments in which we operate (energy generation, industrial applications, etc.)

With respect to dimensions we have increased the manufacturing length of our combined cycle HRSG (heat recovery steam generator) pipes from 25 to 26 cm and have begun manufacturing pipes for 180 to 200 mm couplings. In the large diameter pipe range we have reached 25" exterior diameter and at the end of 2016 we began to roll 26" diameter piping in thicknesses up to 100 mm.

These are some examples of the progress we have made, not only to keep us at the forefront of effective technological advance, but also to start out on a new road to enhanced customer engagement through **value and design engineering to end-users** which we have already successfully implemented in the American market after the acquisition of RDT.

This is the case of our upset casing product with piping manufactured in Amurrio, transformed using RDT's own technological designs and threaded with the semi-premium BTX connection. For the end user, this represents a cost saving due to the shorter assembly time of the pipe string in the wall and reduced wear of the pipe due to its premium tailor-made chemical composition. It also significantly reduces the risk of leaks, provides greater flexibility and torque: in short, **more value for money**.

In September 2016 we began manufacturing products with the JFE Bear premium thread in the new Tubos Reunidos Premium Threads (TRPT) plant in Subillabide (Álava), after entering into the strategic agreement with Marubeni Itochu Steel Inc. The license and certification of the process and product from the manufacturer JFE was obtained in a record time of two months, one of the fastest certification periods in the experience of the international manufacturer. The start-up and learning curve is excellent and our expectations of achieving quality and cost levels that position us in the top *quarter* of global competitiveness are being confirmed.

The satisfactory results of the first quarter of 2017 that have enabled the GROUP to break the run of seven consecutive quarters of losses are the consequence of the extraordinary investment upturn in non-conventional technologies in the United States. However, we cannot assume that this recovery represents the new reality of the seamless piping market in the near future.

In TUBOS REUNIDOS we are aware of the profound structural changes that have taken place and are setting new challenges in the environment in which we operate. Our response to these challenges is a shift to a new business model that ensures greater capacity to adapt to an increasingly complex global scenario.

Investment in specialisation and development of the product as a means of differentiation that could offset the cost structure of our manufacturing and operating bases has always been a fundamental pillar of our strategic plans. However, during 2015 and 2016 we learned that our ability to justify our prices by the high quality of our product portfolio and characteristic quick response to customer requirements has disappeared.

On the one hand, this is due to more and tougher competition that has not only increased its installed capacity but also introduced higher quality and lower priced products, especially from Asia.

And on the other because the customers' technological maturity and ambitious cost-reduction objectives in an environment of falling oil prices require *high tech* piping products with integrated solutions for their critical activities without paying the caveat of higher prices for the manufacturer.

These are the dynamics that characterise the new competitive reality in which we will operate and and in view of which our priorities are to advance in our value design and engineering for clients as partners in the development of tailor-made engineering solutions for their needs and to achieve leadership in operating costs and logistics with the aim of positioning the company in the top *quarter* of global competitiveness.

We have crossed the threshold of the fourth technological revolution in which advances in robotics, Internet of things, 3D printing, nanotechnology, biotechnology, materials science and quantum computing are redefining entire industries and creating new ones.

Here at TUBOS REUNIDOS we need a business model that connects our value design and engineering with the leaders of global value chains in order to strengthen our positioning with our clients that will ensure a future of sustained profitable growth.

We will do all this without losing sight of the values that the men and women if TUBOS REUNIDOS have forged to create the corporate culture of the GROUP throughout these 125 years of history.

We have implemented a new management model to achieve this goal:

a.- Client-oriented: simplifying the product catalogue and transforming the business model towards greater customer engagement through **value design & engineering** for the supply chain.

b.- Competitive costs: reducing the unit cost.

c.- Flexibility: to reduce the risks associated with the cyclic nature of the sector.

d.- Profitability: with a cash flow generation that ensures fulfilment of our obligations and to have a return higher than seven percent on capital employed.

You will not have failed to observe that together we are creating a dynamic future model, with passion tempered by realism, in order to continue enjoying the confidence of all our shareholders.

2 Essential data

Item	2016	2015*	2014	2013
Tonnes of piping sold, thousands of tm.	**150**	180	229	175
Net turnover, thousands of euros	**194,928**	278,065	407,952	350,451
EBITDA [1], thousands of euros	**-15,488**	6,707	41,373	42,237
EBITDA / Sales (%)	**-7.9**	2.4	10.1	12.1
Operating outcome millions of euros	**-42.6**	-16.8	15.0	17.6
Investment in tangible and intangible fixed assets, millions of euros	**25**	33	28	45
Total assets, thousands of euros	**578,979**	641,815	662,183	633,693
Capital and reserves, thousands of euros	**178,275**	227,069	245,107	235,384
Net financial debt, millions of euros	**195**	167	172	182
Personnel	**1,530**	1,733	1,766	1,643

Notes:
* For purposes of comparison with financial 2016 the distribution and automotive businesses are presented as operations discontinued in 2015.
[1] Calculated as operating outcome after eliminating the effect of provision for amortisation and impairment of tangible fixed assets.

3 Seamless steel piping solutions

WE ARE A MANUFACTURER AND SUPPLIER OF SEAMLESS STEEL PIPE AND GLOBAL SERVICES FOR APPLICATIONS IN THE INDUSTRIAL AND ENERGY SECTORS.

WE SPECIALISE IN HIGH ADDED-VALUE PRODUCTS WITH DEMANDING TECHNICAL REQUIREMENTS TAILOR MADE FOR THE NEEDS OF OUR CUSTOMERS AND PROVIDE COMPETITIVE SOLUTIONS, ALL WITH AN EFFICIENT, HIGH-QUALITY SERVICE.

WE HAVE FACTORIES IN THE BASQUE COUNTRY, NAVARRE AND THE UNITED STATES, DEDICATED R&D+I CENTRES AND COMMERCIAL DELEGATIONS WORLDWIDE.

325,000

TMS OF SEAMLESS STEEL PIPING

Annual production capacity.

5

PRODUCTION PLANTS

1 Seamless pipe - outside diameter up to 7"- Amurrio, Álava.
1 Seamless pipe - outer diameter up to 26"- Trapagarán, Bizkaia.
1 Seamless cold drawn pipe - Pamplona.
1 Threading plant - OCTG - Álava.
1 Pipe finishing and threading plant OCTG - RDT - Houston, USA.

2

OWN STEEL MILLS

Integrated production process.
Carbon steels, alloys and stainless steels.

1,530

EMPLOYEES

2

PROPRIETY R&D+i CENTRES

At our seamless piping manufacturing plants.

80

COUNTRIES IN WHICH WE SELL OUR PRODUCTS

10 countries with dedicated sales delegations.
35 countries with commercial presence.

150

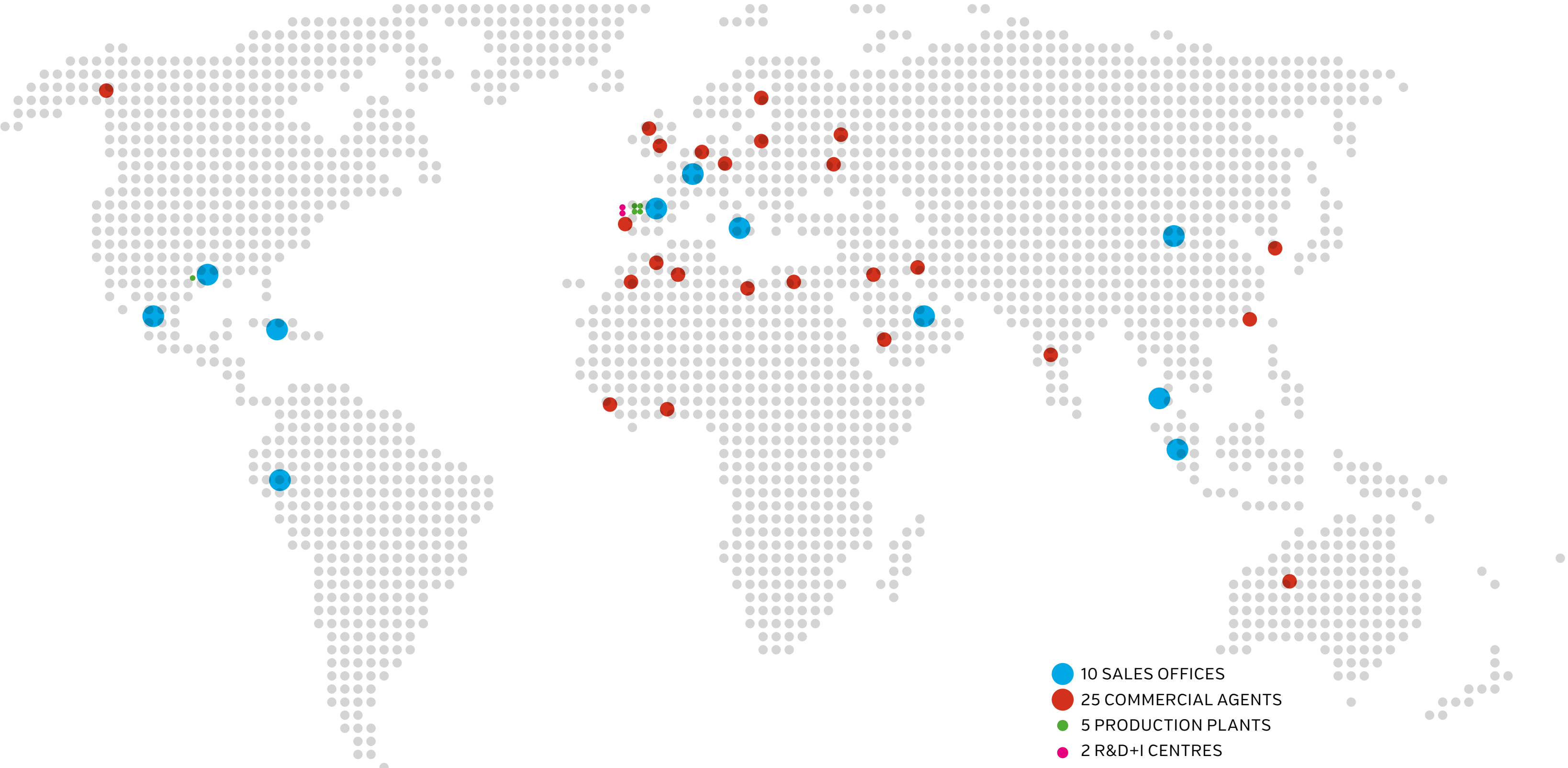
MILLIONS OF EUROS INVESTED IN 2012-2016

Transformation plan implemented: new range of products.
The springboard to future growth and profitability.

125

YEARS OF HISTORY

Presence in the world

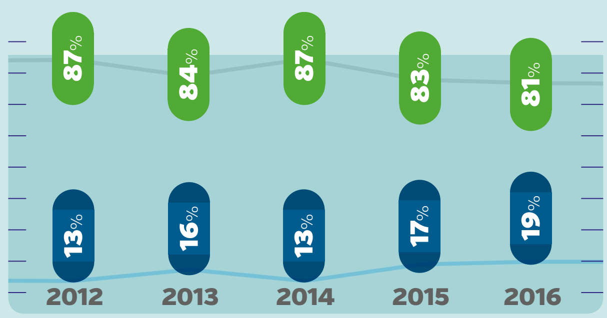


HISTORICAL PRESENCE IN GLOBAL MARKETS

SALES ON THE DOMESTIC MARKET AND EXPORTS OF TUBOS REUNIDOS GROUP SEAMLESS PIPING

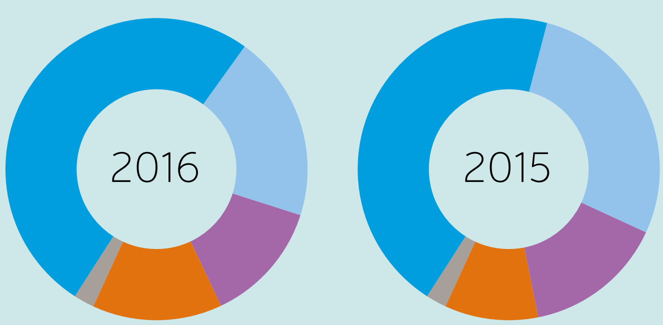
(IN MILLIONS OF EUROS)

EXPORT
DOMESTIC



DISTRIBUTION OF SEAMLESS PIPING SALES BY GEOGRAPHIC MARKETS

(IN MILLIONS OF EUROS)



2016	2015	
51%	45%	EUROPEAN UNION
20%	28%	NORTH AMERICA (USA AND CANADA)
13%	15%	FAR EAST
14%	10%	MIDDLE EAST AND AFRICA
2%	2%	OTHERS

Wide range of products for diversified applications

SECTORS	PRODUCTS	SPECIALISATION

UPSTREAM OIL AND GAS

OCTG

(Oil Country Tubular Goods)

Piping for drilling and production of oil and gas.

Tailor-made piping for demanding environments.

1. Propriety grade steels:

Materials resistant to corrosion, high pressures and temperatures. OCTG pipes with API and premium JFE threads.

2. Propriety OCTG casing, tubing and thread: RDT.

3. Drill Pipe.

CONDUITS

Onshore and offshore transport of oil and gas and in hydrocarbon processing plants.

Special corrosion and seawater-resistant conduits.

DOWNSTREAM CHEMICAL AND PETROCHEMICAL REFINING

ELECTRIC POWER GENERATION

PROCESS PIPING

PIPING FOR HIGH-PRESSURE AND TEMPERATURE EQUIPMENT

In refining, chemical and petrochemical plants.

In electric power generation plants (thermal, combined cycle, biomass, renewable, nuclear). Offshore wind turbines.

Piping for boilers, furnaces and heat exchangers.

Wide range of pipes with custom dimensions and steels.

Special lengths up to 26 metres in hot-drawn and 29 meters in cold.

Propriety high-performance large-diameter products up to OD 26" for critical phases of cutting-edge processes.

INDUSTRIAL SERVICES

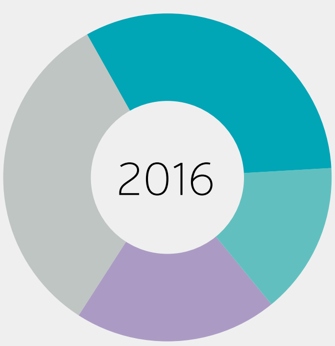
MECHANICAL PIPING

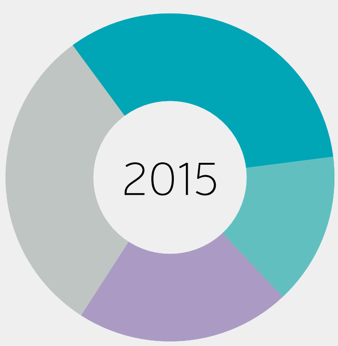
For industrial and automotive applications, heavy machinery, offshore equipment, engineering firms, singular buildings.

ORIENTED TO THE ENERGY SECTOR: 79% OF SALES IN 2016

DISTRIBUTION OF SEAMLESS PIPING SALES BY SECTORS

(IN MILLIONS OF EUROS)

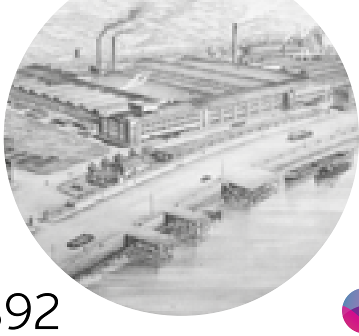




2016	2015	
33%	31%	OIL AND GAS
32%	33%	POWER GENERATION
15%	15%	CHEMICAL AND PETROCHEMICAL
20%	21%	INDUSTRIAL APPLICATIONS

125 years of progress and competitiveness

In 2017 TUBOS REUNIDOS celebrates 125 years of history. This long journey starts in 1892, when Tubos Forjados, the precursor of Tubos Reunidos, was founded until the present day with new challenges and incorporation of new companies into the GROUP. 125 years of uninterrupted progress, always seeking the maximum competitiveness, adapting to technological and market-driven changes, outward-looking and always keeping the customer at the centre of our strategy.



1892

Tubos Forjados, S.A., predecessor of Tubos Reunidos, S.A. is founded with the mission of manufacturing welded pipes for boilers and steam conduits, water and gas piping and other similar uses.

1946

Commissioning of the new seamless pipe manufacturing plant by means of the hot push bench process.

1950-70

Successive extensions with the aim of increasing production capacity and access to new products.

New cold drawing facilities.

1968

Tubos Reunidos, S.A. is founded by grouping all Tubos Forjados, S.A. facilities and part of those belonging to Babcock & Wilcox Española, S.A. for manufacture of seamless and welded piping.

1977

First steel casting in Amurrio.

1984

A world first, the new heating and perforation system (C.P.E.) at the head of the push bench, is launched in Amurrio, technological step of overwhelming importance.

1998

Acquisition of Productos Tubulares, S.A. which provides a wide range of special, alloy and stainless steel tubes of large diameters and thicknesses.

2002

New cold draw plant in Amurrio.

2005

TUBOS REUNIDOS strengthens its stock market position by being traded on the continuous market.

2012

TUBOS REUNIDOS embarks on a € 150 M investment plan to develop new high added-value products and improve its competitiveness.

2014

2014-2017 Strategic Plan and signature of the agreement with Marubeni-Itochu Steel Inc. for construction of a plant devoted to manufacturing, sale and supply of premium OTCG products for oil and gas drilling worldwide. Tubos Reunidos premium threads.

2015

Construction of new Tubos Reunidos Premium Thread plant in Nanclares de Oca (Álava).

2016

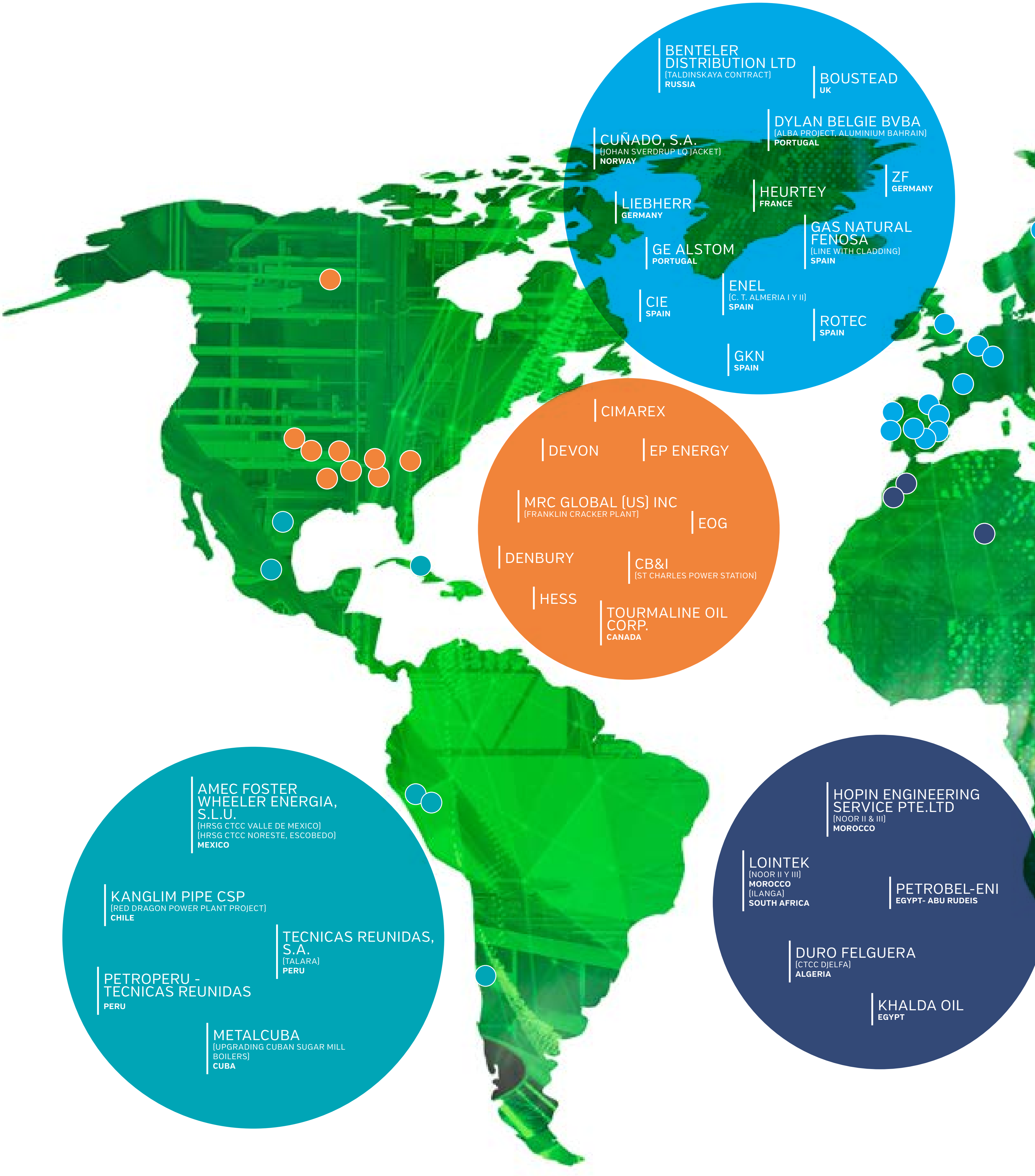
Production start-up of the new plant with Marubeni-Itochu Steel Inc.

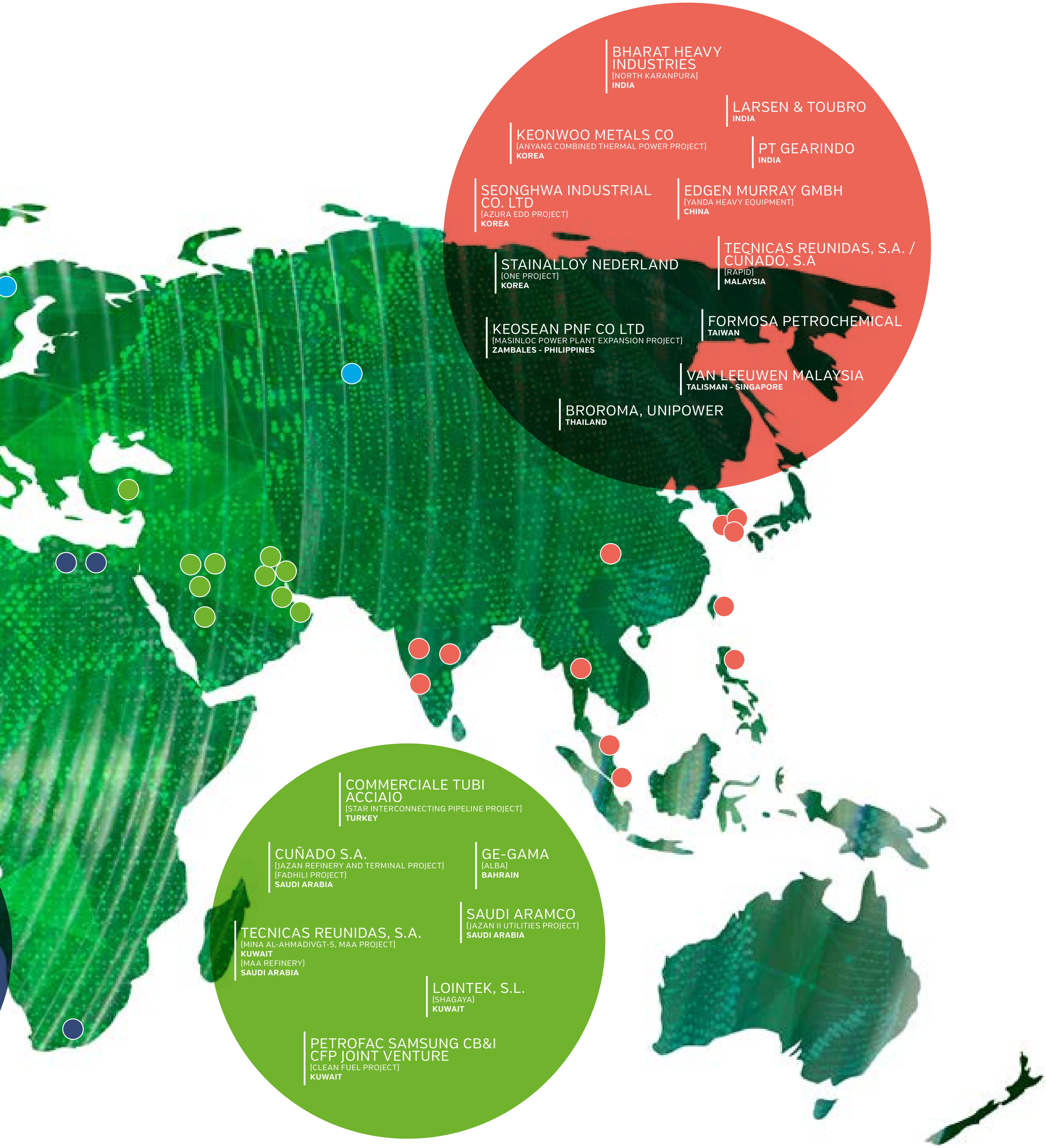
Acquisition of the assets of Rotary Drilling Tools, Inc. TUBOS REUNIDOS diversifies its production facilities by obtaining local capacity in the United States close to the end user.

2017

360° Value Creation Plan.

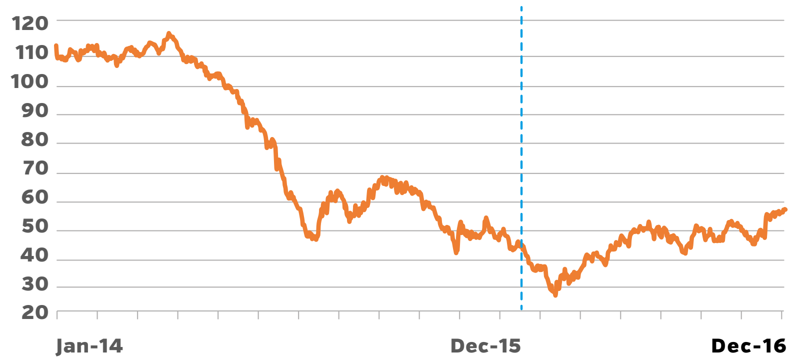
Most important clients and projects of TUBOS REUNIDOS in the world




BHARAT HEAVY INDUSTRIES
[NORTH KARANPURA]
INDIA
LARSEN & TOUBRO
INDIA
KEONWOO METALS CO
[ANYANG COMBINED THERMAL POWER PROJECT]
KOREA
PT GEARINDO
INDIA
SEONGHWA INDUSTRIAL CO. LTD
[AZURA EDD PROJECT]
KOREA
EDGEN MURRAY GMBH
[YANDA HEAVY EQUIPMENT]
CHINA
TECNICAS REUNIDAS, S.A. / CUÑADO, S.A
[RAPID]
MALAYSIA
STAINALLOY NEDERLAND
[ONE PROJECT]
KOREA
KEOSEAN PNF CO LTD
[MASINLOC POWER PLANT EXPANSION PROJECT]
ZAMBALES - PHILIPPINES
FORMOSA PETROCHEMICAL
TAIWAN
VAN LEEUWEN MALAYSIA
TALISMAN - SINGAPORE
BROROMA, UNIPOWER
THAILAND
COMMERCIALE TUBI ACCIAIO
[STAR INTERCONNECTING PIPELINE PROJECT]
TURKEY
CUÑADO S.A.
[JAZAN REFINERY AND TERMINAL PROJECT]
[FADHILI PROJECT]
SAUDI ARABIA
GE-GAMA
[ALBA]
BAHRAIN
SAUDI ARAMCO
[JAZAN II UTILITIES PROJECT]
SAUDI ARABIA
TECNICAS REUNIDAS, S.A.
[MINA AL-AHMADIVGT-5, MAA PROJECT]
KUWAIT
[MAA REFINERY]
SAUDI ARABIA
LOINTEK, S.L.
[SHAGAYA]
KUWAIT
PETROFAC SAMSUNG CB&I CFP JOINT VENTURE
[CLEAN FUEL PROJECT]
KUWAIT

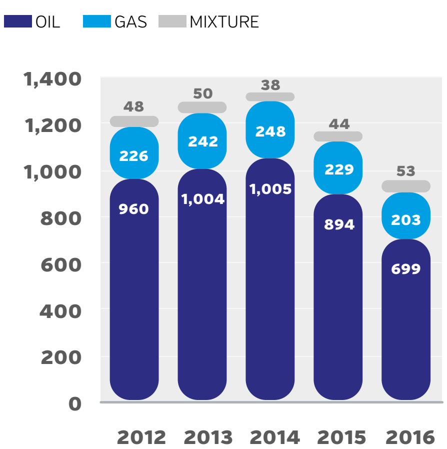
4 The economic and sectoral environment in 2016

PRICE OF BRENT, USD/BBL



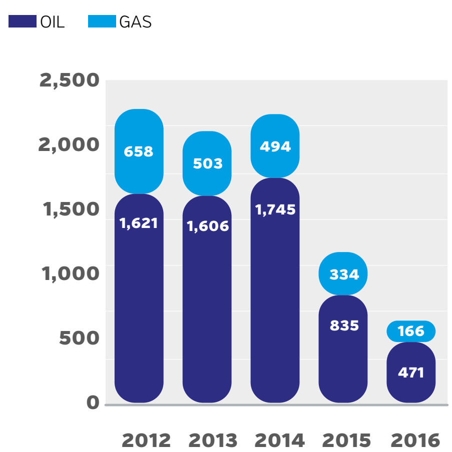
Source: Bloomberg

NUMBER OF INTERNATIONAL DRILLING RIGS



Source: Baker Hughes

NUMBER OF DRILLING RIGS IN USA & CANADA



Source: Baker Hughes

2016: second consecutive year with drastic reductions in investment in oil and gas drilling projects

In 2016, for the second year in succession, activity in the seamless steel pipe sector at the global level was affected by the collapse of the price of oil that began in September 2014 and bottomed out in January 2016 at 27.6 US dollars per barrel of Brent, 76 percent down on the reference price before the fall began.

This severe reduction in the price of oil brought with it sharp global cuts in oil and gas drilling project investment and thus demand for OCTG.

In addition to the drop in investment in oil and gas drilling and production (around 25% per year in 2015 and 2016) a large number of power and petrochemical production were postponed or cancelled.

On 30 November 2016 the OPEC countries agreed to reduce oil production by 1.2 million barrels per day. At the beginning of December, other countries including Russia adopted similar measures and reduced their production by 600,000 barrels per day.

These decisions had a positive impact on the price of Brent, which recovered to stand at 54.9 US dollars/barrel on 31 December 2016 compared to 36.6 dollars at the end of 2015, an increase of 50 percent that signalled the beginning of an upswing in investment - mainly in shale - with an increase of 62 percent in active rigs. Nevertheless, the average price per barrel in 2016 was 43.6 dollars, 16.5 percent lower than the 2015 average (52.2 dollars).

The North American market in particular, one of TUBOS REUNIDOS' main areas of activity, suffered a sharper fall in demand due the greater flexibility of shale.

In May 2016 there were only 404 oil active rigs, down from the maximum of 1,930 in September 2014. There was an upturn in the second half of the year to reach 658 active rigs. However, the average for the year was 512, 48 percent fewer than in 2015.

The drop in demand for OCTG resulted in a decrease in the stock volumes of all the manufacturers, fierce competition and price cuts across the entire industry.

Likewise, activity in the petrochemical and power generation sectors remained depressed in the United States and Europe and also slackened in Asia and the Middle East.

The industrial and construction sector also continued to experience downward pressure on prices.

5 Variation in activity and outcome for 2016

In 2016 the sharp drop in demand for seamless pipes and tubes resulting from investment cuts in energy projects following the collapse of oil prices impacted both TUBOS REUNIDOS GROUP volumes and the sales prices. Net turnover fell by 29.9 percent to a low of 194.9 million euros.

The impact on the GROUP's operating margins due to reduced use of production capacity caused a negative EBITDA of 15.5 million euros and a negative net outcome of 50.2 million euros for the year overall.

In this difficult sectoral context TUBOS REUNIDOS completed the investment and development process for new steels, high-performance and special dimension projects designed to meet the customers' requirements with tailor-made engineered designs. We have extended our industrial and service presence in the United States with the purchase of Rotary Drilling Tools USA (RDT) for 19.6 million euros and started threading pipes manufactured in Amurrio in the new cutting-edge technology plant, Tubos Reunidos Premium Threads (TRPT) as the springboards for our future growth and profitability.

In order to mitigate the difficult market conditions, in 2016 we implemented operational flexibility measures to adapt costs to the lower activity levels. We have also implemented a crash competitiveness plan aimed at enhancing efficiency and structurally reduce the GROUP's cost base. The measures include, but are not limited to:

- Implementation of temporary redundancies and reduction of the workforce and salary reductions for the Board and the Management Team.
- Internal reorganisation with the aim of unifying criteria in the GROUP, achieving synergies and improving commercial and industrial action.
- Efficiency and productivity enhancement programmes in all operational and industrial processes.
- Reduction and optimisation of the structure.
- Optimisation of procurement processes and renegotiation of all elements of the supply chain.
- Redefinition of logistic processes and internal and external transport.
- Implementation of a cost savings plan in all fixed and variable expense lines.

In accordance with the strategic plan to concentrate on the core business of seamless piping, in June 2016 we announced divestment of our 50 percent share in Inauxa and EDAI. The sale price was € 33 million and resulted in a € 4 million gain in the consolidated financial statements of TUBOS REUNIDOS and a cash inflow of € 15.9 million.

Along the same lines, the national distribution business of our subsidiary Almesa has been classified as an interrupted activity held for sale, a transaction that we expect to conclude in 2017.

As of December 2016 net financial debt stood at 194.7 million euros, 28 million euros higher than at 31 December 2015. The working capital of the GROUP as of December 2016 amounted to 30.6 million euros, a decrease of 43.9 Million euros with respect to December 2015.

Outlay for investment in the piping business, mainly for investment obligations acquired in previous periods, amounted to 25.3 million euros of which 11.3 million euros was earmarked for the new TRPT threading plant. In spite of this, new investment commitments were significantly lower, as they will be in 2017.

A more favourable market context towards the end of 2016 based on the recovery of oil prices and the enhanced competitiveness of shale in North America, our improved market position as a result of the changes made during the crisis and approval by the European Union of anti-dumping measures against large-diameter Chinese tube in Europe have enabled us to end the 2016 financial year with a portfolio pending invoicing 69.2 percent higher that of 31 December 2015.

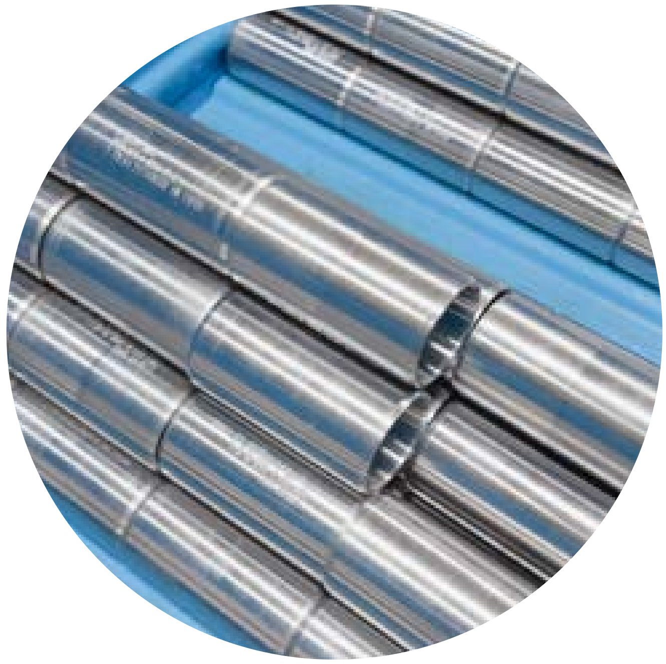
At the end of the first quarter of 2017 the company achieved a positive EBITDA of 11 million euros and a 53-percent increase in net turnover.

We signed a syndicated loan of 207 million euros with 10 financial institutions in May 2017 that will enable us to adjust the debt payment instalments to the company's cash flow generating capacity in coming years on the basis of the 360° Value Creation Plan.

The market continues to offer opportunities but we also face new challenges. There have been structural changes in the energy sector that lead our customers to demand new, more technologically advanced and more competitively priced solutions.

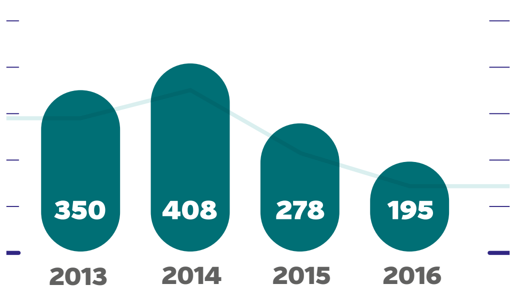
Oversupply in the piping sector has not diminished and many of our competitors have also invested in innovation, brought their industrial plants closer to the end user and adapted their cost bases to the new competitive environment just as we have.

In 2017 we started in our new 360° Value Creation Plan on the bases of the perceived strengths of TUBOS REUNIDOS with the customer at the centre of our strategy and with the aim of ensuring a profitable and sustainable future for the GROUP.



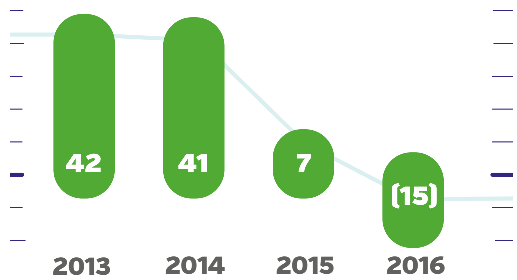
VARIATION IN SALES OF TUBOS REUNIDOS GROUP

(IN MILLIONS OF EUROS)



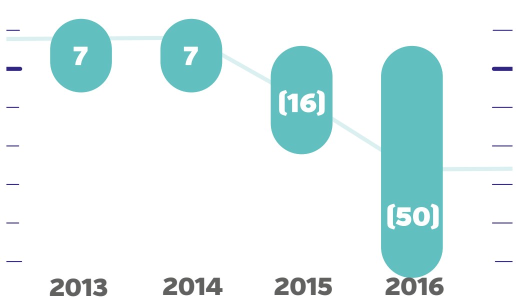
TUBOS REUNIDOS GROUP: VARIATION IN EBITDA

(IN MILLIONS OF EUROS)



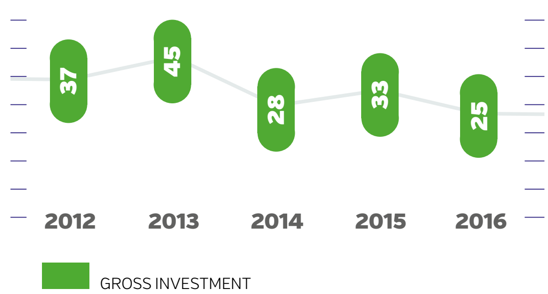
VARIATION IN NET OUTCOME OF TUBOS REUNIDOS GROUP

(IN MILLIONS OF EUROS)



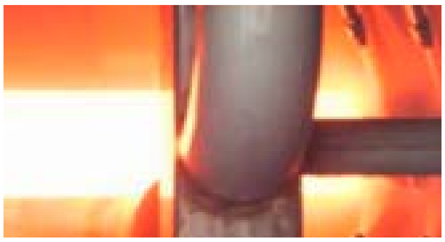
INVESTMENT BY TUBOS REUNIDOS GROUP IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(IN MILLIONS OF EUROS)



In 2016 we consolidated the foundations of our OCTG strategy: new product development, Rotary Drilling Tools [RDT] and Tubos Reunidos Premium Threads [TRPT].

RDT



1. Acquisition of Rotary Drilling Tools, Inc.

To meet our objective of achieving geographic diversification and implementation of production capacity in the United States close to the end user, in 2016 we acquired the business assets of Rotary Drilling Tools Inc.

Located in Houston, RDT is a benchmark manufacture in the seamless steel tube field with production facilities that specialise in high added-value, innovative designs developed to meet the needs of the most advanced and competitive oil and gas drilling and production technologies.

Through RDT we achieve our own integrated capacity in the United States for processing and finishing our OCTG piping manufactured in Spain at the Amurrio plant while obtaining logistical, cost and flexibility advantages.

We reinforce our sales and marketing position by providing more competitive solutions and extending the added value of our proposals to customers with a wider range of products with high added value, service and quality.

In early 2017 RDT is already enabling us to deliver orders in shorter periods and with greater flexibility and we are achieving growing acceptance of our proprietary pipes among the sector's major shale operators.

In particular, our high specification piping manufactured in Amurrio is processed in RDT and transformed with patented proprietary RDT designs to be transformed into Upset Casing piping with BTX Semi-Premium thread.

This product entails a significant cost saving due to shorter mounting times of the casing string in the borehole wall and reduced wear of the piping because of the tailor-made premium chemical composition while significantly mitigating the risk of leakage. It also provides greater flexibility and torque. This product as a whole, developed to obtain enhanced performance with lower costs for the customer is the fruit of the GROUP's engineering capacity.

TUBOS REUNIDOS PREMIUM THREADS

2. Commissioning TRPT

In 2016 we also began threading Tubos Reunidos pipes manufactured in Amurrio with the premium threads under licence from JFE Steel Corporation in the new cutting-edge technology plant, Tubos Reunidos Premium Threads along with our strategic partner Marubeni-Itochu Steel Inc.

Opened in May 2016 in a ceremony attended by senior management of both companies and institutional representatives such as Arantza Tapia, the Minister of Economic Development and Competitiveness of the Government of the Basque Country, the plant represents a technological and competitive step forward in the Group's manufacturing processes.

The new facility is equipped with sophisticated technology. Its proximity to the Amurrio plant enables a significant reduction in delivery times and costs and provided greater flexibility to adapt to specific customers needs.

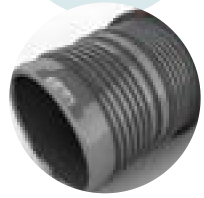
Likewise, the new company provides a specialised differentiated technical service thanks to a worldwide Marubeni-Itochu Steel and JFE Steel network of service centres in the field with high-performance global service response.

The TRPT workforce was composed of 36 people in 2016 and will reach 80 in 2017. The personnel are fully trained in all areas of the plant including the technical, maintenance, quality and safety competences and teamwork aspects under a plan that seeks to maximize the versatility of those who comprise the organisation.

TRPT obtained the JFE license in July 2016 and is also licensed to use the API (American Petroleum Institute) monogram that accredits our management system and our capacity to manufacture threaded pipes.

The capabilities and experience of TUBOS REUNIDOS in the field of special pipe production, the global position and sales and marketing leadership of Marubeni-Itochu Steel Inc. in the oil and gas segment and JFE Steel Corporation's technology in premium thread and field service are already creating a value design and engineering for our customers that differentiates us from the competition. We can now access new special product sectors and geographic markets with a differential value proposal and state-of-the-art technology.

The plant has been operating at the expected level since it was commissioned supported by a large order for an Egyptian company that will continue in 2017. This project represents one of the largest OCTG orders in the history of TUBOS REUNIDOS and involves the sale of premium piping developed in the 2012-2016 New Market Investment Plan.



3. Value & design engineering to end-users - OCTG

The 2012-2016 Investment Plan led to a qualitative step forward in OCTG product development with processes focused on the most demanding applications, special steels, proprietary patents and premium and semi-premium threads.

We are able to design all the high alloy chrome steels to the exact specifications of each well, depending on the extraction technology and their final application.

Our goal is to provide value and support our customers to meet their needs to reduce costs and improve the productivity and efficiency of their facilities while ensuring safety and minimising risks.

In 2016 we launched four new products and made progress on market penetration with the wider range of OCTG now available to us that includes propriety steel grades, casing, tubing and drill pipe with RDT patent, RDT semi-premium threads (BTX) and capacity for premium threads in TRPT under license from JFE, thermal treatment capacity and inspections and trials for tailor-made products.

Proprietary steel grades

New prospecting needs in the OCTG industry require deeper horizontal wells and more complex extraction technologies. To meet this demand, here at TUBOS REUNIDOS we have developed a wide variety of products designed for the most demanding applications, **with high collapse steel grades**, **special steels for sour service environments**, grades resistant to extreme low temperatures and **steels for deep drilling**. We design the chemical composition of each steel to achieve very low levels of residual gases and **highly corrosion-resistant grades** for oil and gas facilities in particularly demanding environments.

Development of proprietary steels in 2016 with very high corrosion resistance including 3% chrome, 7% chrome, 13% chrome and even 19% chrome under development deserves special mention.

Casing, tubing and drill pipe with patented RDT products developed in-house:

In addition to casing and tubing with propriety steel grades, in 2016 we added drill pipe developed by RDT and patented premium casing and premium tubing (2 steps) products to our portfolio.

In particular, the premium casing developed by RDT is a patented upset casing product that maximizes efficiency, reduces costs and provides better performance and in-well behaviour due to its propriety semi-premium BTX thread and the upsetting process, also exclusive to RDT, that enables the couplings to be eliminated and therefore provides greater hermeticity and cost savings.

We have developed in-house drill pipe designs such as the Wear Knot ™, developed and patented for drilling in shale plays, in extremely abrasive formations, landing strings, heavy-weight drill pipe, drill collars and drilling accessories in addition to RDT's propriety threads and threading capacity under license form JFE.

In 2016 we completed the strategic objective of having our own high-tech threading facilities and we now have the capacity to design and control the process to provide customers with the final product.

In TRPT (Spain) we thread our piping with the JFE premium thread and in RDT (USA) since late 2016 we have threading capacity with propriety designs for semi-premium threads that are enjoying increasing acceptance by our customers and the main operators in the sector.

Value & design engineering to end users - Power generation, refining and petrochemicals

The investments carried out under the latest Strategic Plan, mainly in our steel mills, and the development of our process engineering enabled us to have our own steels available for manufacturing in 2016. These grades have more demanding chemical compositions, are cleaner and include higher percentage chrome content in alloys that provide enhanced high temperature and pressure resistance for more efficient, less polluting application in the most critical leading-edge power generation, refining and petrochemical processes.

We have developed a full range of diameters, thicknesses and lengths that endow us with greater flexibility to adapt to the demands of each customer.

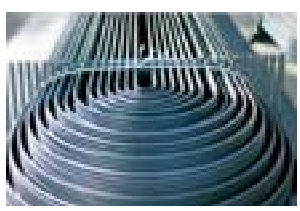
In particular, in 2016 we obtained special lengths for thermo-solar plants and heat recovery steam generators (HRSG) of up to 26-29 metres.

Furthermore, in the large diameter pipe segment we have reached lengths of up to 26” OD with high wall thicknesses (>40 mm.) in high and very high chrome-content alloys and stainless steels for petrochemical and ultra-supercritical power generation and nuclear plants. Since late 2016 we have been making 26” OD pipes in special thicknesses up to 125 mm.

SPECIAL LARGE-DIAMETER PIPE 1/2” – 26”

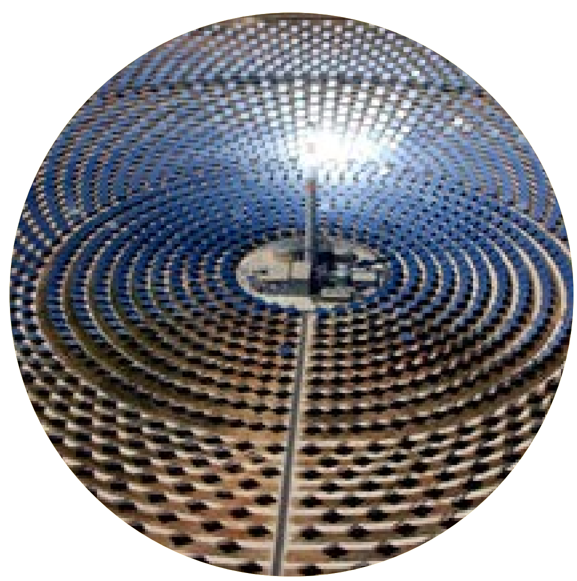
STAINLESS STEEL PIPING

HIGH-CHROME ALLOY PIPING FOR BOILERS, FURNACES AND HEAT EXCHANGERS



Piping for hydrocarbon processing in critical phases and technologically advanced processes

- **High thicknesses >40 mm in special steels and up to 125 mm depending on OD**
- **High-chrome alloys**
- **Special lengths up to 26/29 metres**



6 360° Value Creation Plan

We respond to the deep structural changes in our sector with a new business model.

The paradigm in the pipeline sector is new, the oil crisis has accelerated technological progress, our customers have new needs and are transforming their business models, pipe manufacturers have also reacted and the new dynamics of demand and competition set new challenges in our operating environment:

- Overcapacity
- Sophistication of customer needs
- Pressure on prices
- Service requirements - re-engineering of the value chain

SOPHISTICATION of customer needs

Customers that use piping are facing lower oil and gas prices and rapid technological advances. They are transforming their business models and industrial configurations to gain efficiency and competitiveness. They require more sophisticated solutions - technologically and service-related - and at lower prices.

OVERCAPACITY

Structural overcapacity mainly from China and other emerging economies with low costs that have now achieved technological and product capacities that are increasingly. meeting the market requirements.

PRESSURE ON PRICES

Manufacturers invest in development of products with higher technical performance but we cannot transfer the cost to prices in a tough competitive environment in which prices are set by the marginal costs of major manufacturers operating at a fraction of their production capacity.

SERVICE REQUIREMENTS

The manufacturers' opportunity - and also their challenge - is the growing demand for tailor-made service solutions to the customers' requirements for both engineering development of integrated products at the end-user's facilities and for service solutions that entail changes in the supply chain.

Our response to the environment –> The Client in the centre + leadership in costs

ASPIRATION

By 2020 the New TUBOS REUNIDOS will be consolidated as a benchmark in the seamless piping sector. It will capture the current and future needs of its customers better than any of its competitors. It will operate efficiently to meet said needs and will have excellent internal talent capable of achieving these objectives.

Our priorities are to advance in our value design and engineering for clients as partners in the development of tailor-made engineering solutions for their needs and to achieve leadership in operating costs and logistics with the aim of positioning the company in the top quarter of global competitiveness.

NEW BUSINESS MODEL:

CLIENT-ORIENTED

Simplifying the product catalogue and transforming the business model towards enhanced customer engagement through **value design & engineering** for the supply chain.

LEADER IN COSTS

Reducing the unit cost as a result of implementation of productivity improvements.

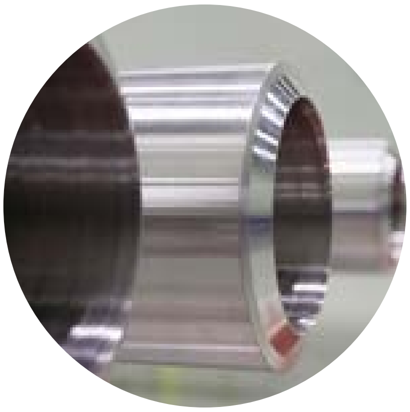
FLEXIBILE

To reduce the risks associated with the cyclical nature of the sector.

PROFITABLE

With the a cash flow generation that ensures fulfilment of our obligations and provides a return on capital employed (ROCE) higher than 7 percent.

7 R&D+i and quality activity



2016 has been notable for the restraint of the Group's investment effort once the investment in new products and processes under the Strategic Plan had been fully executed in 2015.

Thus procurement has fallen to 7.1 million euros and is focussed mainly on the needs for maintenance, compliance with environmental regulations, occupational health and safety and ongoing research and development projects.

Investment in the Amurrio plant, aimed mainly at extending the range and supply of proprietary OCTG grades to the market, totalled 3.7 million euros.

On the other hand, investment in the Galindo plant accounted for 3.4 million euros. Among the measures taken on the safety front, reconditioning the plant's interior and exterior pavements and roadways, adaptation of existing machinery to the provisions of RD 1215/97 and fitting overhead cranes with load control systems deserve special mention.

With regard to R&D+i activities, we continue the practise of previous years by supporting cooperation with technology centres, universities and other specialists.

This year the extension of the range we provide in all qualities, either through manufacture of new steels or new, more demanding thickness-diameter combinations, has been especially noteworthy in view of the weakness of the market.

At the Galindo plant we continued to implement two projects for extension of the dimensional range (DIM BERRI approved by the Centre for Development of Industrial Technology (CDTI) and the Basque Government's Support for Industrial R&D and Experimental Development Programme (Hazitek)) and for development of the Pilger tube rolling process with new materials (NEW_MAT approved by CDTI). Along with other important achievements, in 2016 within the framework of the DIM_BERRI R&D+i project we were able to roll 26" diameter tube for the first time.

As always, we made a significant effort throughout the year in terms of quality through optimisation of production processes and implementation of continuous improvement.

Among other significant milestones, TUBOS REUNIDOS INDUSTRIAL obtained a positive result in the audits for certification of the main quality standards ISO 9001, ISO/TS 16949 and API Q1. We also obtained the required approvals from our customers without difficulty.

PRODUCTOS TUBULARES, in addition to passing the follow-up audits of its certifications, renewed its certification under the AD2000-Merkblatt W0 and the Pressure Equipment Directive (PED), extended the dimensional range of the certification for marine applications under the Lloyd's Register rules and renewed its ASME certification as a material organisation (MO) in accordance with the requirements of Section III of the Code, divisions 1 and 3 and NCA 3800 for supply of pipes for use in nuclear facilities.

8 Social aspects

In the human resources area the year was marked by a context of need to contain spending and adapt to lower activity and demand levels.

Among other measures, the salaries of the Board of Directors and senior management were reduced, temporary workforce redundancies were established and the active workforce of the Amurrio and Galindo plants were reduced. At the same time the plan to rejuvenate the workforce through partial retirement with relief contracts continued in operation.

Conversely, TUBOS REUNIDOS GROUP created jobs with opening of the new Tubos Reunidos Premium Threads plant and acquisition of Rotary Drilling Tools in the United States. These two work centres ended the 2016 financial year with 36 and 56 employees respectively.

In the training area we once again fulfilled the plan to increase the time devoted to occupational hazard prevention training in 2016. This is the priority issue in all activities of TUBOS REUNIDOS GROUP along with measures to foster both occupational versatility and flexibility and technology and service for customers. The objective to develop the capacity to meet customer requirements and the adaptability to assimilate demand fluctuations with greater efficacy while ensuring the sustainability of the project.

With respect to prevention of occupational hazards 2016, like 2014 and 2015, has been one of the best years in terms of prevention ratios in our history in the Amurrio plant. This tendency is due in large part to the success of the project to enhance the perception of risks by team leaders.

In this context the recognition of TUBOS REUNIDOS for research and innovation in occupational hazard prevention in the 7th Mutualia Awards deserves special mention.

Likewise, the internal audit of the Prevention Management System under the OHSAS 18001 standard and the audit for renewal of ISO 14001 certification of the environmental management system deserve special mention.

With respect to incidents, the fire in the pickling facilities of the cold drawing plant was an important setback that nevertheless demonstrated the adequacy of the procedures implemented in the GROUP to contain this type of accident.

Furthermore, we have continued to make an intense effort to improve internal communication, mainly through meetings between management and the rest of the workforce. The success of the Fénix Project for internal improvement, a project that fosters increased application of lean manufacturing methods in order to achieve operational excellence through continuous improvement in day-to-day management is another noteworthy accomplishment.

At the Galindo plant we have taken the first steps to adapt the management model to the Euskalit advanced management model with two main objectives: in the first place, to improve competitiveness by implementing best management practices and secondly to set up a management assessment method for identifying weaknesses and areas for improvement.

Once again we have renewed the certification of our Integrated Management System (quality. the environment and prevention) in compliance with the ISO 9001:2008; ISO 14001:2004 and OHSAS 18001: 20047 standards.

9 Shareholders and stock exchange

Relevant data

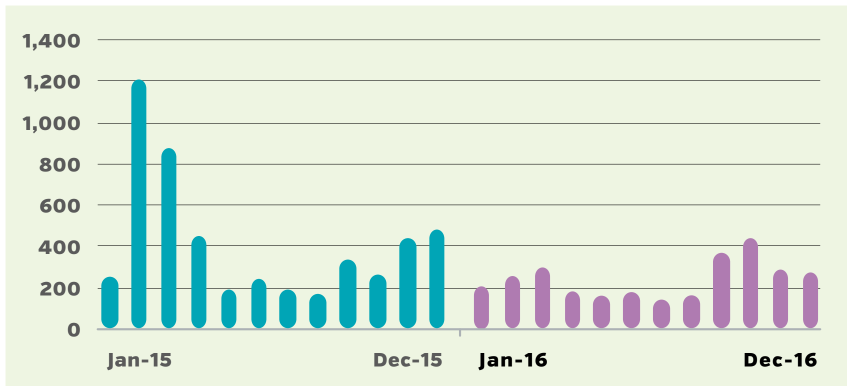
The share capital of TUBOS REUNIDOS as of 31 December 2016 is 17,468,088.80 euros represented by 174,680,888 shares with a par value of 0.1 euro each.

These shares are listed on the Bilbao and Madrid Stock Exchanges. Since 1 July 2005 they have been traded on the continuous market of the Madrid Stock Exchange interconnection system (SIBE).

On 22 December 2014 TUBOS REUNIDOS shares moved from the Ibex Medium Cap Index to the Ibex Small Cap Index on which they are currently traded.

AVERAGE DAILY TRADING VOLUME, TUBOS REUNIDOS

(Thousands of securities)



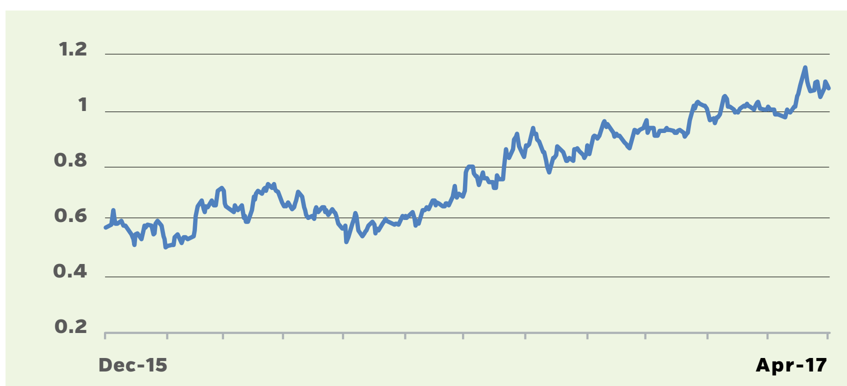
Share price variations

In 2016 TUBOS REUNIDOS' share price rose by 47.9%, from 0.585 euros/share at year's end 2015 to 0.865 euros/share on 30 December 2016. This improvement was supported by recovery of the price of oil during the financial year from USD 36.6/barrel in December 2015 to USD 43.6/barrel at the end of 2016.

In terms of liquidity the company was affected by the turbulent sectoral environment during the 2016 financial year and transactions were limited to 63.5 million securities with a trading value of 46.3 million euros.

SHARE PRICE VARIATION, TUBOS REUNIDOS

(euro/share)



Treasury shares

TUBOS REUNIDOS has entered into a liquidity contract, notified to the National Securities Market Commission (CNMV) in a Significant Event on 21 July 2008, that entered into force on 8 September 2008 and which fully complies with the provisions of Circular 3/2007 dated 19 December.

At 31 December 2016 the treasury stock balance was 412,024 shares, which represents 0.236 percent of the company's share capital and is devoted entirely to servicing the liquidity contract.

Shareholder remuneration

The Board of Directors of TUBOS REUNIDOS GROUP has agreed to propose to the next Annual General Meeting that no dividends be allocated against the outcome of the 2016 financial year.

Relations with shareholders and investors

The shareholder and investor relations area has held various meetings in the main national and international financial centres with private and institutional investors and met requests for information or assistance from minority shareholders through the shareholder office. These exchanges have been held in the spirit of the commitment to observe the maximum degree of transparency in our relations with the stakeholders of the financial markets.

ANNUAL REPORT TUBOS REUNIDOS PERFORMANCE IN THE STOCK MARKET

	2014	2015	2016
Social capital in millions of euros	17.47	17.47	17.47
Nominal shares, euros	0.1	0.1	0.1
Number of shares, millions	174.7	174.7	174.7
Share price			
Minimum	1.675	0.55	0.50
Maximum	2.85	1.87	0.98
Latest	1.71	0.585	0.87
Average	2.21	1.4	0.73
Annual variation	-2.72%	-65.52%	47.9%
Trading volume, millions of shares			
First quarter	33.5	48.9	15.6
Second quarter	20.0	18.3	11.5
Third quarter	11.0	15.3	14.9
Fourth quarter	17.7	25.8	21.5
Total	**82.2**	**108.3**	**63.5**
Trading volume, millions of euros			
First quarter	61.9	83.4	9.5
Second quarter	47.8	30.6	7.5
Third quarter	28.2	16.9	10.5
Fourth quarter	36.8	21.2	18.7
Total	**174.7**	**152.0**	**46.3**
Capitalisation, mill. euros (31 December)	**298.7**	**102.2**	**151.1**
Dividends based on annual results mill. euros	**2.0**	**0.0**	**0.0**

10 Corporate governance

The Annual Corporate Governance Report (IAGC) for financial 2016 can be consulted in full on the corporate website (www.tubosreunidos.com) and that of the CNMV (www.cnmv.es).

Likewise, in accordance with the provisions of the Article 538 of the Capital Companies Act, the IAGC is included as a separate section of the Management Report for the 2016 financial year.

Ownership structure

The following are the shareholders with significant direct or indirect holdings in accordance with the threshold of 3 percent set under Royal Decree 1362/2007 dated 19 December:

BBVA Group	14.87 percent
Concerted action Zorrilla-Lequerica Puig family	10.22 percent
Nmas1 Asset Management SGIIC, S.A (Managed Funds)	9.04 percent
Mr. Joaquín Gómez de Olea Mendaro	6.56 percent
Ms. Carmen de Miguel Nart	3.82 percent
Mr. Emilio Ybarra Churruca	3.33 percent
Mr. Santiago Ybarra Churruca	3.33 percent

No significant changes have occurred in the equity structure of TUBOS REUNIDOS GROUP during the 2016 financial year.

The Board of Directors

The Articles of Incorporation state that the Board shall be composed of a minimum of 5 and a maximum of 14 members. The Board of Directors currently consists of 12 members of the following classes:

- 1 executive director.
- 6 external proprietary directors.
- 3 independent external directors.
- 2 members classed as other external.

During the year two independent directors, Ms. Maria Luisa Jordá Castro and Mr. Luis Mañas Antón, resigned for personal reasons.Mr. Jorge Gabiola Mendieta Esq. was appointed independent (formerly other external) director after proposal by the Appointments and Remuneration Committee.

On 7 February 2017 the Board of Directors appointed Mr. Guillermo Ulacia Arnaiz Esq. and Executive Vice-President of the Company by cooptation. This appointment will be submitted for ratification in the Annual General Meeting.

The number of female directors represents 17 percent of the total number of Board members compared to 23 percent en 2015 and 9 percent in previous years.

In 2016 the full Board of Directors met 11 times on a monthly basis and all Board decisions were adopted unanimously.

The Board of Directors, at its meetings on 29 October 2015 and 28 April 2016, approved certain amendments to the Board Regulations and issued a new consolidated text that was notified and submitted to the CNMV. These amendments were reported at the Ordinary General Meeting held on 29 June 2016.

The most significant changes concern harmonisation of the composition and functions of the Supervisory Committees with the recent reform of the Capital Companies Act (Ley de Sociedades de Capital - LSC).

The Board meeting held on 3 June 2009 unanimously adopted an agreement to create a Delegate Committee. This committee is currently composed of the following Board members:

CHAIRMAN (OTHER EXTERNAL MEMBER)
Mr. Pedro Abásolo Albóniga

EXECUTIVE VICE-PRESIDENT
Mr. Guillermo Ulacia Arnaiz

MEMBER (PROPRIETARY DIRECTOR)
Mr. Francisco Esteve Romero

MEMBER (PROPRIETARY DIRECTOR)
Mr. Enrique Portocarrero Zorrilla Lequerica

MEMBER (PROPRIETARY DIRECTOR)
QMC Directorships S.L. (Mr. Jacobo Llanza)

MEMBER (PROPRIETARY DIRECTOR)
Mr. Emilio Ybarra Aznar

The Delegate Committee has held 13 meetings in 2016 and all agreements have been adopted unanimously.

The Audit Committee has met 6 times in 2016 and is composed of the following members:

CHAIRMAN (INDEPENDENT DIRECTOR)
Mr. Roberto Velasco Barroetabeña

MEMBER (PROPRIETARY DIRECTOR)
Mr. Alfonso Barandiarán Olleros

MEMBER (PROPRIETARY DIRECTOR)
Ms. Leticia Zorrilla-Lequerica Puig

MEMBER (INDEPENDENT DIRECTOR)
Ms. Ana Muñoz Beraza

MEMBER (INDEPENDENT DIRECTOR)
Mr. Jorge Gabiola Mendieta

The Appointments and Remuneration Committee has held 9 meetings in 2016 and is composed of the following directors:

CHAIRMAN (INDEPENDENT DIRECTOR)
Ms. Ana Muñoz Beraza

MEMBER (PROPRIETARY DIRECTOR)
QMC Directorships S.L.

MEMBER (PROPRIETARY DIRECTOR)
Mr. Enrique Portocarrero Zorrilla Lequerica

MEMBER (PROPRIETARY DIRECTOR)
Mr. Francisco Esteve Romero

MEMBER (INDEPENDENT DIRECTOR)
Mr. Jorge Gabiola Mendieta

The ordinary income earned by the members of the Board of Directors in 2016 amounted to 1,009 thousand euros (1,239 thousand euros in 2015).

The Board's Annual Remuneration Report will be submitted as a separate item on the Agenda to an advisory vote of the Annual General Meeting and is available to shareholders and investors on the corporate website (www.tubosreunidos.com) and that of the CNMV (www.cnmv.es).

The Annual General Meeting

The Annual General Meeting was held on 29 June 2016 and there were no extraordinary meetings during the financial year.

At that meeting, the shareholders were able to fully exercise their voting rights since:

- All shareholders have the right to attend the meeting regardless of the number of shares they hold.
- Each share entitles its holder to one vote.
- The agreements are adopted without exception on the basis of the majorities provided for in the Capital Companies Act.

The following are the attendance data (personal or proxy attendance) for the Annual General Meetings of the last three years:

2014	69.14 percent
2015	62.03 percent
2016	62.76 percent

Risk control and management system

The 2016 IAGC includes adequate information on the Company's risk management system, the bodies responsible for developing and implementing the system, the main risks that may affect fulfilment of the objectives and the level of tolerance.

Internal financial reporting system (SCIIF)

In 2016 TUBOS REUNIDOS GROUP applied the SCIIF in accordance with the provisions of the E.U. Directives and their transposition into Spanish legislation in the National Audit Act and the Sustainable Economy Act.

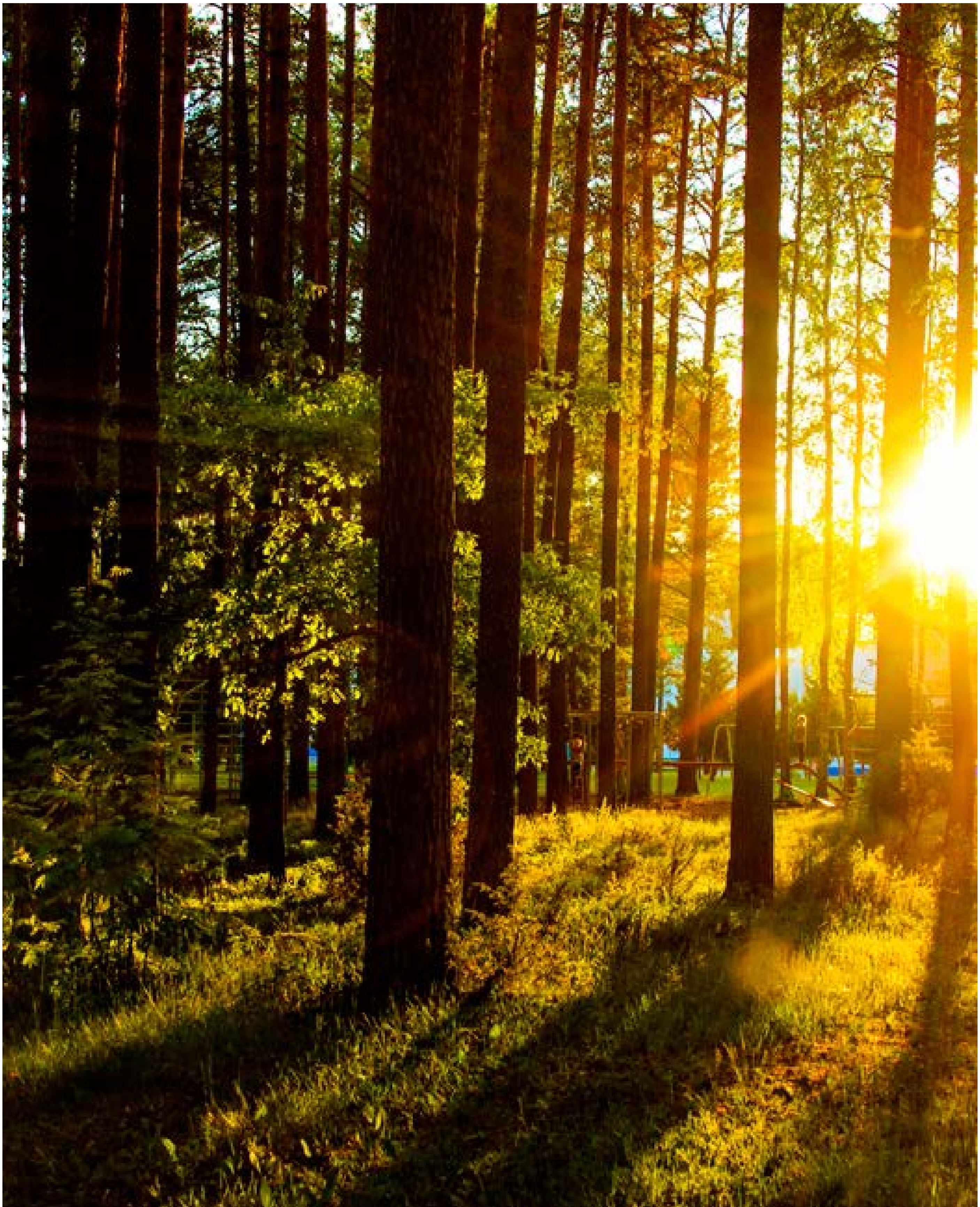
For these purposes the company has installed a software application that supports the entire Group SCIIF and enables the Audit Committee to carry out its function of monitoring the financial information for the 2016 financial year with the required efficacy.

The IAGC for 2016 responds adequately to all the questions raised on the subject.

Follow-up to the recommendations of the unified code

The Board of Directors of TUBOS REUNIDOS has performed continuous improvement of the corporate governance of the GROUP, and it may be stated without fear of contradiction that it complies with the good governance recommendations to a high degree.

11 Corporate social responsibility



The fundamental corporate mission of TUBOS REUNIDOS GROUP is to create wealth while complying with the currently applicable regulations and code of ethics, creating employment and social welfare for all stakeholders affected by our actions and, as far as possible, for society in general.

Thus we assume the commitment to integrate social, labour-related and environmental criteria into the management of all our companies to achieve added value creation that will impact the improvement of our activity in the medium and long term.

ABAO © Moreno Esquibel

Occupational health and safety

We have put the suitable systems and resources in place to manage occupational hazard prevention and we actively participate, together with public institutions, trade unions and employer organisations, in the design and development of projects that foster implementation of a preventive culture that reduces occupational hazards and accidents in steel sector companies.

The environment

Respect for the environmental and commitment to sustainable development are at the foundations of our activity. Compliance with the environmental protection leg is a top priorities in all our activities.

All our facilities are subject to an integrated environmental authorisation policy that sets the conditions for protection of air, water and soil and ensures proper waste management and due diligence in surveillance of environmental aspects of out work.

In view of the importance of preventing pollution in the particular case of steelmaking, all our plants set annual targets and the resources required to achieve them.

Partnerships

Throughout 2016 he collaborated with various institutions and important cultural organisations, such as the Guggenheim Museum and the Bilbao Association of Friends of the Opera (ABAO), in our immediate vicinity.

In the education and training field we entered into new collaboration agreements, bursary and internship programmes and visits to our production facilities through agreements with universities and professional centres.

12 Historical data

TUBOS REUNIDOS GROUP CONSOLIDATED BALANCE SHEET (in thousands of euros)

ASSETS	2016	2015	2014	2013
NON-CURRENT ASSETS	**443,915**	**438,719**	**417,639**	**411,801**
Tangible fixed assets	377,111	366,092	357,175	355,204
Other intangible assets	12,749	14,674	14,021	11,620
Investment in land and buildings	2,426	412	424	435
Non-current financial assets	186	150	217	5,284
Deferred tax assets	51,443	57,391	45,802	39,258
CURRENT ASSETS	**128,039**	**199,976**	**239,945**	**217,056**
Inventory	101,921	121,795	140,874	115,286
Trade debts and other accounts payable	17,741	45,810	74,607	75,972
Current tax assets	-	-	-	-
Cash and cash equivalents	8,140	32,347	24,464	25,798
Other Current Assets	237	24	-	-
DISPOSABLE GROUP ASSETS HELD FOR SALE	**7,025**	**3,120**	**4,599**	**4,836**
TOTAL ASSETS	**578,979**	**641,815**	**662,183**	**633,693**

LIABILITIES	2016	2015	2014	2013
NET EQUITY	**181,943**	**244,175**	**260,936**	**246,037**
Called capital	17,468	17,468	17,468	17,468
Reserves	160,807	209,601	227,639	217,916
Minority interests	3,668	17,106	15,829	10,653
REVENUES TO BE DISTRIBUTED IN VARIOUS FINANCIAL YEARS	**13,865**	**15,094**	**12,469**	**10,946**
NON-CURRENT LIABILITIES	**210,343**	**226,148**	**210,810**	**239,893**
Debts with credit institutions	143,763	157,306	155,640	169,054
Deferred tax liabilities	26,156	21,417	21,481	21,868
Provisions	1,916	2,937	3,622	15,183
Other non-current liabilities	38,508	44,488	30,067	33,788
CURRENT LIABILITIES	**168,203**	**156,398**	**177,968**	**136,817**
Debts with credit institutions	59,075	42,146	40,436	38,568
Current tax liabilities	-	-	-	-
Trade and other creditors	109,128	114,252	137,532	98,249
DISPOSABLE GROUP LIABILITIES HELD FOR SALE	**4,625**	**-**	**-**	**-**
TOTAL LIABILITIES	**578,979**	**641,815**	**662,183**	**633,693**

INCOME STATEMENT

In thousands of euros (debit) credit

	2016	2015*	2014	2013
NET TURNOVER	**194,928**	**278,065**	**407,952**	**350,451**
Other revenues	6,495	9,431	12,275	16,056
Variation in stocks of finished and semi-finished products	(450)	(9,484)	18,993	1,963
Supplies	(90,842)	(121,599)	(217,285)	(161,781)
Personnel expenses	(86,096)	(84,123)	(101,296)	(95,952)
Provision for depreciation	(24,191)	(23,519)	(26,361)	(24,686)
Other expenses	(62,840)	(69,080)	(86,254)	(77,819)
Other net earnings / (losses)	20,360	3,497	6,988	9,319
OPERATING OUTCOME	**(42,636)**	**(16,812)**	**15,012**	**17,551**
Financial revenue	88	56	234	1,170
Financial expenses	(7,294)	(6,360)	(10,623)	(10,190)
Exchange differences and others	409	565	1,578	(2,405)
Participation in the outcome of the financial year of associated companies	-	-	(16)	(4)
FINANCIAL OUTCOME	**(6,797)**	**(5,739)**	**(8,827)**	**(11,429)**
OUTCOME OF ONGOING ACTIVITIES BEFORE TAXES	**(49,433)**	**(22,551)**	**6,185**	**6,122**
Corporation tax expense	732	7,539	1,266	49
OUTCOME OF THE FINANCIAL YEAR FOR ONGOING ACTIVITES AFTER TAXES	**(48,701)**	**(15,012)**	**7,451**	**6,171**
OUTCOME OF THE FINANCIAL YEAR NET OF DISCONTINUED ACTIVITIES	**(2,536)**	**(200)**	**-**	**-**
OUTCOME OF THE FINANCIAL YEAR	**(51,237)**	**(15,212)**	**7,451**	**6,171**
Minority interests	1,063	(976)	(372)	472
NET OUTCOME OF THE CONTROLLING INTEREST	**(50,174)**	**(16,188)**	**7,079**	**6,643**

* For purposes of comparison the distribution and automotive businesses are presented as discontinued operations

13 Board of Directors and senior management

The Board of Directors

CHAIRMAN
OTHER EXTERNAL DIRECTORS
Mr. Pedro Abásolo Albóniga

EXECUTIVE
VICE-PRESIDENT
Mr. Guillermo Ulacia Arnaiz

PROPRIETARY
VICE-PRESIDENT
Mr. Emilio Ybarra Aznar

PROPRIETARY
DIRECTOR
Mr. Alfonso Barandiarán Olleros

DIRECTOR
OTHER EXTERNAL DIRECTORS
Mr. Alberto Delclaux de la Sota

PROPRIETARY
DIRECTOR
Mr. Francisco Esteve Romero

INDEPENDENT
DIRECTOR
Mr. Jorge Gabiola Mendieta

PROPRIETARY
DIRECTOR
QMC Directorships, SL
(Mr. Jacobo Llanza Figueroa)

INDEPENDENT
DIRECTOR
Ms. Ana Muñoz Beraza

PROPRIETARY
DIRECTOR
Mr. Enrique Portocarrero Zorrilla de Lequerica

INDEPENDENT
DIRECTOR
Mr. Roberto Velasco Barroetabeña

PROPRIETARY
DIRECTOR
Ms. Leticia Zorrilla de Lequerica Puig

Executive staff
TUBOS REUNIDOS GROUP

EXECUTIVE VICE-PRESIDENT
Mr. Guillermo Ulacia Arnaiz (Appointed February 2017)

MARKETING AND BUSINESS DEVELOPMENT MANAGER
Mr. Antón Pipaón Palacio

FINANCE TRANSFORMATION MANAGER
Mr. Jose Manuel Iturriaga Arrillaga

INDUSTRIAL AND R&D-i MANAGER OF TUBOS REUNIDOS INDUSTRIAL
Mr. Carlos López de las Heras

TUBULAR PRODUCTS INDUSTRIAL MANAGER
Mr. Javier López Nieto

PROCUREMENT MANAGER
Mr. Josu Artetxe Urrutia

GENERAL MANAGER OF ALMESA
Mr. Diego Otero Moyano

STRATEGY AND CORPORATE COMMUNICATION
Ms. Eva Almeida Fuentes

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14 Addresses of TUBOS REUNIDOS GROUP

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