TUBOS REUNIDOS GROUP

2013. Annual Report


TUBOS
REUNIDOS
GROUP

1. Introduction

Business development for GRUPO TUBOS REUNIDOS again proved positive in 2013, with an increase in the EBITDA margin, in a situation of low demand levels in our main markets and lower prices for the least differentiated products.

The continuing transformation of our product mix towards tubes with greater added value in the energy sector, together with the results of policies to increase competitiveness and efficiency, have been key factors in achieving these results.

The main seamless steel tube manufacturing and distribution business achieved net turnover of 310.8 million euros, net profit of 7.3 million euros and EBITDA of 39 million euros, representing a margin on sales of 12.5 percent, higher than the 11.1 percent obtained the previous year.

In the GROUP as a whole, consolidated net turnover amounted to 350.5 million euros and consolidated net profit stood at 6.6 million euros, with EBITDA of 42.2 million euros, representing a margin on sales of 12.1 percent and exceeding the previous year's 10.7 percent.

These results demonstrate the GROUP's resilience to the low cycles as a result of the consolidated management model, oriented towards flexibility and competitiveness, along with the policies of maximizing quality and service.

GRUPO TUBOS REUNIDOS has maintained its commitment to investment and R&D&I as fundamental pillars for its growth and profitability, despite the situation, with total investment of 41.9 million euros in 2013.

Financial year 2013 was decisive in the GROUP transformation process in line with the 2011-2016 Strategic Plan:

– Specialisation in higher value-added products in greater growth and profitability segments, in order to meet the greater demands of new technologies in the energy sector: in 2013 GRUPO TUBOS REUNIDOS expanded its range of new special products, particularly in large diameter and thick tubes in alloy and stainless steels, niche products intended for the greatest growth and profitability segments in the power generation and petrochemical sectors. Likewise, investments that will enable the GROUP to supply the market with new, more Premium products for the oil and gas exploration and production sector (OCTG) have been completed.

– R&D&I in new products and processes, and competitiveness improvements: investments amounting to 39.4 million euros were made in the seamless steel tube business in 2013, thereby fulfilling 50 percent of the 2012-2016 Investment Plan for 150 million euros.

– Geographical diversification and positioning in the fastest growing markets: 84 percent of seamless tube sales were made outside Spain and 55 percent outside Europe. On their part, North America accounted for 30 percent of sales and those destined for emerging regions (North Africa, Asia, Middle East, Latin America) for 25 percent, all markets with high growth potential in the energy sector.

– Commercial strategy aimed at more special products, integral service and overall technological solutions for its products: in 2013 GRUPO TUBOS REUNIDOS consolidated the strategic reorientation of the distribution business, ALMESA, as the Group's comprehensive services unit.

The financial structure of the GROUP remains solid, with net financial debt of 181.8 million euros and therefore stable in relation to 2012, making it 81 percent of gross long-term debt, thereby reinforcing the position of solvency, which is a permanent aim of the GROUP. This sturdy financial structure has been strengthened by the granting of a 59 million euro loan by the European Investment Bank in 2013 to support the Company's R&D&I programme.

GRUPO TUBOS REUNIDOS faces 2014 in a context of world economic recovery and in an industry that presents many opportunities, having strengthened its differentiation from competitors, with more and more Premium products, a model of integral service and flexibility characteristic of the GROUP and an increasingly competitive management model. This progress will enable higher levels of growth and profitability to be attained as market recovery becomes consolidated.

This set of factors has led to GRUPO TUBOS REUNIDOS continuing with its policy of distributing dividends, which resumed in 2011, with the agreement by the Board of Directors to propose payment, at the next Annual General Meeting of Shareholders, in 2014, of a dividend of 0.018 euros gross per share for 2013, representing a total amount of 3.1 million euros.

This progress and these results have been made possible thanks to the commitment and professionalism of the team that makes up GRUPO TUBOS REUNIDOS, whose daily dedication enables our differentiation. At the same time, the participation and collaboration of our customers, suppliers and institutions is fundamental. Their trust and support make the increasing consolidation of the GRUPO TUBOS REUNIDOS project in the market possible.

2. Key consolidated data

Item	2013	2012	2011 **	2010 **
Net income*	**350,451**	464,727	499,581	377,691
Net result*	**6,643**	10,573	24,435	(14,183)
Net Cash Flow*	**30,857**	37,654	46,044	8,457
Net Cash Flow / Sales (%)	**8.8**	8.1	9.2	2.2
Total Assets*	**630,535**	686,951	693,867	685,741
Equity*	**235,384**	232,360	224,722	202,938
EBITDA*	**42,237**	49,574	62,214	11,486
EBITDA / Sales (%)	**12.1**	10.7	12.5	3.0
Assets (ROA) (%)	**1.1**	1.5	3.5	(2.1)
Equity (ROE) (%)	**2.8**	4.6	10.9	(7.0)
Added Value*	**128,870**	148,817	154,582	124,348
Personnel	**1,643**	1,812	1,632	1,586
Market Value* (31 December)	**309,185**	313,552	268,135	319,666
Book value per share (EUROS)	**1.3**	1.3	1.3	1.2
Price / Book value (TIMES) (31 December)	**1.31**	1.35	1.19	1.58
Profit per share (EUROS)	**0.04**	0.06	0.14	(0.08)
Average annual listed price (EUROS)	**1.73**	1.72	1.90	2.03

*FIGURES IN THOUSANDS OF EUROS.

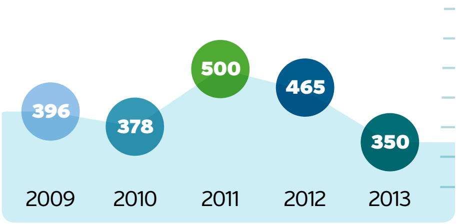
** Financial figures in the income statements for years 2010 and 2011 have been reformulated by reclassifying the distribution activity from "discontinued operations" and "held for sale" to "continuing operations", to allow them to be correctly compared with the financial data for years 2012 and 2013.

3. Economic and sectoral environment

Slowdown in global growth and recession in Europe

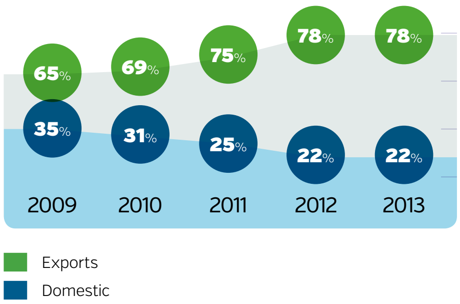
Net income of
GRUPO TUBOS REUNIDOS

(In millions of euros)



GRUPO TUBOS REUNIDOS
sales to domestic and
export markets

(In millions of euros)



2013 was characterized by the complexity of the macroeconomic situation. Global activity and world trade underwent a slight improvement in the second half of the year, although performance was uneven by geographical regions.

Growth in the USA slowed throughout the year, with an increase of 1.9 percent, almost a point lower than a year earlier, when it was 2.8 per cent. The U.S. economy remains the centre of events. Private demand retains its strength, though growth has been hampered by excessive fiscal consolidation and political factors are causing uncertainty about the nature and size of the financial adjustment.

The scale was no better in the eurozone countries, where recession stood at -0.4 percent. As a result, progress in improving competitiveness and promoting exports was not even strong enough to offset depressed domestic demand. The uncertainty surrounding bank balances remains both at the core and around the periphery.

On their part, the growth rate in emerging economies was also seen to fall its 2013. As a whole, growth dropped from 4.9% to 4.7%. China closed the year with the same growth rate as in 2013 (7.7%) and Russia decreased from a rate of 3.4% to 1.5% in 2013, in line with what happened in the Middle East and North Africa, with an increase of 2.4% (compared to 4.2% in 2012).

However, financial conditions in advanced economies improved in the second half of 2013. As proof of this, the Federal Reserve announced in mid-December that it would begin to gradually remove measures known as quantitative easing, with this being another symptom of the recovery expected for 2014.

Altogether, recovery continues after the crisis, albeit slowly. Attention is currently focusing on economies and markets where the slowdown in growth and the tightening of financial conditions converge as a result of U.S. monetary policy.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Throughout the year, world oil demand rose from 89.6 to 90.9 million barrels per day (IEA Oil Market Report). The price of Brent Crude rose by 1%, finishing at 110 USD per barrel.

The number of active drilling rigs in North America fell by 7%, to stand at 2,115 (Baker Hughes). In the USA, the number of active drilling rigs dropped from 1,918 in 2012 to 1,761 in 2013, representing a fall of 8%. This reduction is due to lower investment in natural gas exploration motivated by low gas prices. In Canada, the number of active drilling rigs decreased by 3% tin 2013, to 354.

The number of rigs has continued to increase in other markets, reaching 1,297 wells and representing growth of 5% in relation to 2012, driven especially by activity in Africa (30% increase), Middle East (4.5%) and Continental Europe (18%).

With regard to electrical power generation, the need for new power generation infrastructure remained low in developed countries. Nevertheless, energy demand is very significant in Asia, where new investments are necessary, especially in high efficiency and low pollution power plants, which require tubes with increasingly demanding technical specifications.

Meanwhile, petrochemical activity was sustained in 2013, although there was a new delay in the implementation of energy projects in the Far and Middle East and North Africa, motivated by uncertainties and global financial tensions.

Other sectors, outside energy, showed low activity levels in 2013, especially in Europe.

4. Evolution of seamless steel tube manufacturing and distribution activity

GRUPO TUBOS REUNIDOS obtains 84% of GROUP tube sales outside Spain, with uneven growth according to geographic areas

The core activity of GRUPO TUBOS REUNIDOS is the manufacture and distribution of seamless steel tubes, which provided net turnover of 310.8 million euros in 2013 and accounted for 82% of GROUP revenue.

Tubes are manufactured at the TUBOS REUNIDOS INDUSTRIAL plant in Amurrio-Álava, which has production facilities capable of manufacturing seamless steel tube in carbon and alloy steels, hot-rolled and cold-drawn, with diameters of up to 7 inches, and at the PRODUCTOS TUBULARES plant in Galindo-Vizcaya, with production facilities capable of manufacturing larger diameter tubes, from 8 inches up to 24 inches in diameter, in carbon, alloy and stainless steels. The GROUP also owns ACECSA, a specialist manufacturer of cold drawn small diameter steel tubes up to 27 metres in length.

Distribution activity is carried out through ALMESA, which since the beginning of 2013 has a new strategic orientation, becoming the comprehensive services unit for GROUP products.

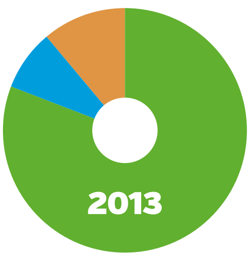
The presence of GRUPO TUBOS REUNIDOS was further consolidated on international markets in 2013, with 84 percent of sales outside Spain in the seamless steel tube business.

Continuing with its strategy of geographical diversification and positioning in the fastest growing markets, GRUPO TUBOS REUNIDOS has strengthened its presence in the Middle East by opening a sales office in Dubai, from where it will deal with in situ demand for seamless tubes in countries such as Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Oman and Iraq.

In line with the 2012-2016 Strategic Plan for orientation towards the energy sector, 81% of GROUP tube sales were carried out in this sector.

Distribution of sales by activity segments

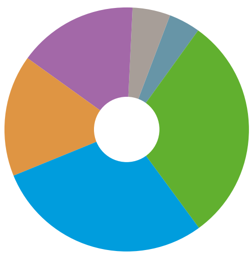
(In millions of euros)



81% Manufacture of seamless tubes
8% Distribution
11% Automotive

Distribution of seamless tube sales by geographic markets

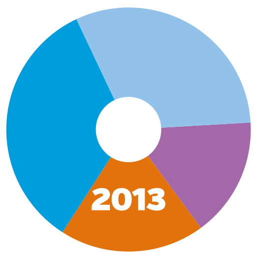
(In millions of euros)



30% North America (USA and Canada)
29% Rest of Europe
16% Far East
16% Spain
5% Other Markets
4% Middle East

Distribution of seamless tube sales by sectors

(In millions of euros)



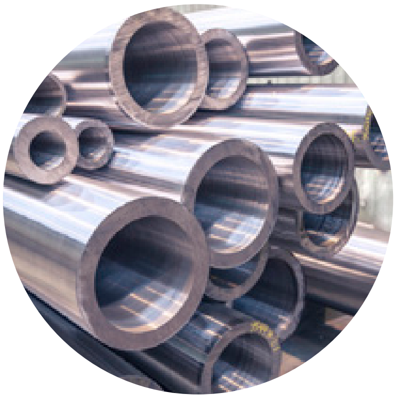
34% Oil and gas
31% Power generation
16% Petrochemical

19% Mechanical and industry

Higher value added products in the energy sector maintain their leading role

Throughout 2013, decisive progress was made in the industrial and commercial strategy oriented towards higher value added products and extending the range of Premium products. Consequently, special products accounted for 64% of GROUP seamless tube sales in 2013 (compared to 63% in 2012).

During the year the GROUP put the new large diameter Premium tube manufacturing capacity into full operation at the PRODUCTOS TUBULARES plant in Galindo, thereby increasing the range of large diameter and special thickness pipes in very high alloy and stainless steels, with applications in critical phases of power generation and petrochemical processes.



ALMESA becomes more international and specialised as a service unit

The year 2013 was the first since ALMESA was reoriented to the exclusive distribution of industrial products as a service unit of GRUPO TUBOS REUNIDOS.

In this way, ALMESA has actively participated in the sale of GROUP products in domestic and foreign markets, complementing them in range, with related products or ancillary services, with the ultimate goal of providing comprehensive customer support.

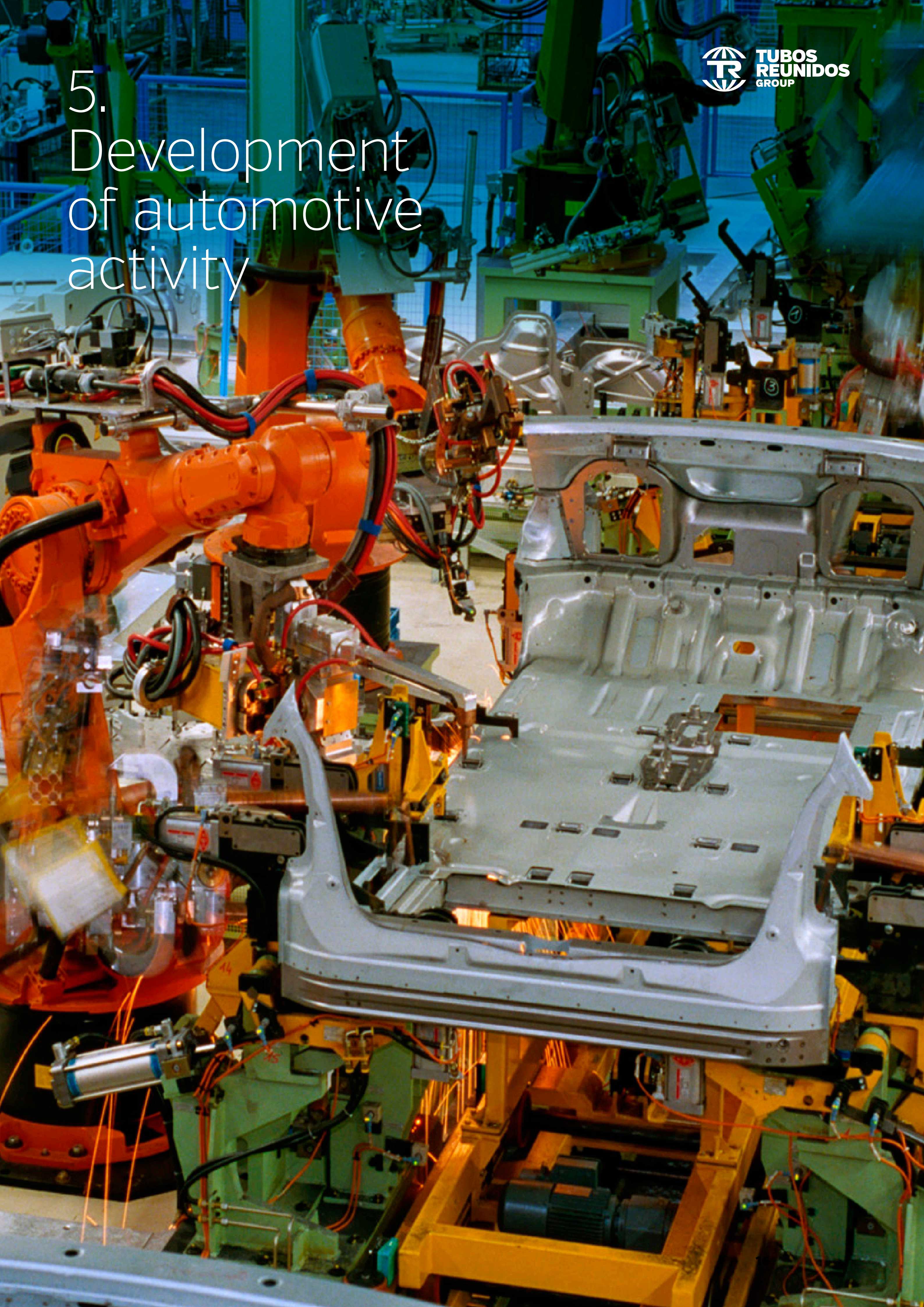
To achieve this, ALMESA has progressed in its product training, reaching agreements with leading international suppliers of tubes and fittings. In addition, it has also made closer contact with local stockists in certain key geographic markets, with the aim of being even closer to the end user.

The international expansion of ALMESA continued in greater depth throughout the year, in a coordinated and orderly manner, taking advantage of synergies and the strength of GRUPO TUBOS REUNIDOS abroad, with its presence in more than 60 countries.

With a view to 2014, it is foreseen that projects in progress will speed up and this, together with the announced recovery of the domestic market, will favour growth in the company's turnover and profitability.

Moreover, the improvement in the balance sheet situation of ALMESA is noteworthy, helped by the contribution of capital by the single shareholder (GRUPO TUBOS REUNIDOS), as well as by the improved management of working capital, allowing it to present very healthy figures.

5. Development of automotive activity



INAUXA-EDAI has become consolidated as a global supplier of automotive components, with plants in Mexico and China

INAUXA-EDAI activity in financial year 2013 was characterised by consolidation of the internationalisation process in Mexico and the definitive start-up of local production at the plant in China, thus accomplishing the goals of the 2010-2012 Strategic Plan to position itself as a global supplier of automotive components.

Turnover in 2013 reached 39.6 million euros, highlighting the awarding of new contracts with the entry of new customers as a significant event. As these are global contracts, they represent an important milestone in business diversification and open the doors to future growth at all INAUXA-EDAI plants.

The customers INAUXA-EDAI supplies with suspension links and power train and chassis systems include leading manufacturers such as Volkswagen, General Motors, Renault, Fiat, Mazda, Chrysler and BMW.

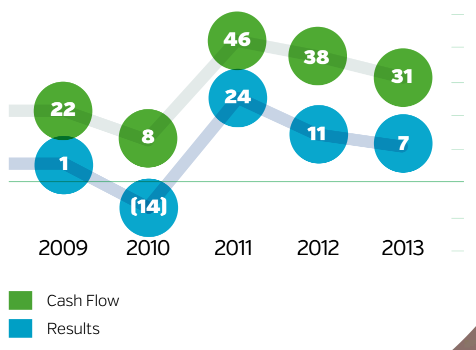
Investments in the period were mostly for changes in production processes to meet the needs of new products approved by customers, as well as for increasing production capacity.

R&D&I effort was maintained during 2013, focusing on the consolidation and expansion of design capabilities and validation of EDAI engineering at the Automotive Intelligence Center (AIC), a fundamental requirement to conserve a leadership position in an industrial sector with such high demands and competitiveness.

6.
Results and financial situation in 2013

Progress of Cash Flow and profits of Grupo Tubos Reunidos

(In millions of euros)



GRUPO TUBOS REUNIDOS obtained 6.6 million euros in consolidated profit and improved its EBITDA margin on sales

GRUPO TUBOS REUNIDOS obtained consolidated net profit of 6.6 million euros in 2013 and EBITDA of 42.2 million euros, representing a sales margin of 12.1 percent, making it 10.7 percent higher than in 2012.

Financial year 2013 was characterised by weak demand and slight pricing pressure in the first part of the year, mainly because of the decline in economic activity in the United States after the summer of 2012. Expectations of improvement for the first quarter of 2013 were delayed and global activity did not begin to recover until the middle of the year, especially since Europe began to come out of recession and the U.S. economy recovered vitality.

In the year as a whole, the GROUP reached 350.5 million euros in total sales. Seamless steel tube manufacturing and distribution accounted for 89 percent of consolidated revenues, in line with the strategic goals of GRUPO TUBOS REUNIDOS to concentrate on its core business.

Starting in the last quarter, activity improved, not only because market sluggishness was reduced, but also due to the new manufacturing capability for large diameter Premium tubes at the Galindo plant coming into full performance, progress in the product mix, development of the year's investments and the manufacture of steels and finished products requiring greater specialisation.

Sales costs, corresponding to procurement costs and changes in inventories, dropped 3.1% compared to the previous year, falling from 48.7% in 2012 to 45.6% in 2013, due to both a reduction of about 10% in the cost of scrap loaded and greater yield efficiency of materials used.

Other cost items behaved very positively in 2013. The ability to adapt manufacturing to changes in demand, as a result of a model focusing on risk management and resistance in low business cycles, has enabled operating expenses to be reduced by 17.6% compared to 2012, largely offsetting the fall in income for the year, while still achieving an operating result on sales of 5% compared to 4.9% the previous year.

Total GROUP assets at the end of 2013 stood at 630.5 million euros, in a financial year when investments in tangible fixed assets amounting to 41.9 million euros were made and investment in working capital, customers and other accounts receivable was reduced by 15 percent, thereby generating net cash flow of 31 million euros. The working capital as at 31 December was 80.2 million euros, showing an improvement of 25 percent over the 64.1 million euros in 2012.

As regards the foreign exchange market, the euro, after being quoted at USD 1.27 in March, ended the year at USD 1.38, leaving a negative effect arising from exchange differences in financial results. On the contrary, the effort made in reducing bank charges, controlling working capital and debt levels and taking advantage of treasury positions has enabled financial expenses due to interest on bank loans and credits to be reduced by 19 percent compared to 2012.

Total bank debt, corresponding to pure financial debt and financing of GROUP working capital, amounted to 207.6 million euros at the end of December 2013, 10 percent less than in 2012, of which 81.5 percent is long-term debt.
Of this, 65% matures in more than 3 years. On the other hand, liquidity as at 31 December was 25.8 million euros. All of this generated 181.8 million euros of net financial debt, in line with the 179.9 million euros at the end of 2012.

On 6 November 2013, the European Investment Bank (EIB) granted GRUPO TUBOS REUNIDOS a loan of 59 million euros to implement the 2012-2016 Investment Plan, considering this to be financeable in accordance with its goals of supporting research, technological development and innovation. The first 30 million euros of this loan was paid out in 2013, with disbursement of the remaining 29 million euros left pending for the first quarter of 2014.

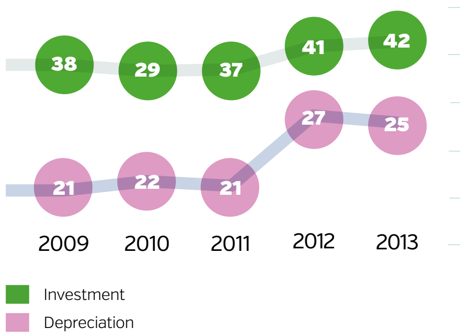
GRUPO TUBOS REUNIDOS, based on the effort made in controlling working capital and debt levels, continues to strengthen its balance sheet structure, reaching net equity of 246 million euros, with 485.9 million euros of fixed capital, representing 77.1 percent of total liabilities. All this is part of a solid financing structure that makes it possible to ensure fulfilment of the GROUP Strategic and Investment Plan.

7. R&D&I activity

GRUPO TUBOS REUNIDOS invested 41.9 million euros in 2013

Investments made by
Grupo Tubos Reunidos

(In millions of euros)



In 2013 GRUPO TUBOS REUNIDOS invested 41.9 million euros, of which 39.4 million were destined for its core seamless tube business, with the priority aim of expanding its range of large diameter Premium products and special OCTG tubes. After this important disbursement, 50 percent of the 2012-2016 Investment Plan, which involves a total of 150 million euros, was completed.

The overall planned investments focus on the manufacture of seamless higher alloy and stainless steel tubes with more complex and demanding specifications that:

- Enable the efficiency of equipment and processes in the electric power generation and petrochemical industries to be enhanced.
- Provide greater resistance to corrosion, pressure, extreme temperatures and harsh environments required for non-conventional new hydrocarbon exploration technologies (shale gas, directional wells, offshore and deep sea).

Insofar as 2013 is concerned, the key actions at the TUBOS REUNIDOS INDUSTRIAL plant in Amurrio were as follows:

- Development and start-up of the RH vacuum degassing plant, one of the most advanced in the world in the seamless tube sector.

  The purpose of the RH facility is to improve the quality of the steels manufactured at the Amurrio steelworks, intended for tubes with special requirements for the oil and gas sectors (OCTG and special tubes), as well as for the energy sector (boilers and furnaces).

- Installation of a new heat treatment line that has enabled TUBOS REUNIDOS INDUSTRIAL to increase its heat treatment capacity by 55,000 tonnes per year, to reach 88,000 tonnes. Heat treated seamless steel tubes are mostly destined for the oil and gas (OCTG) exploration and production sector.

For its part, the investment effort at the PRODUCTOS TUBULARES plant in Galindo concentrated on improving processes, designing new methods of manufacturing tubes in larger diameters and thicknesses, as well as new tooling development to integrate production processes and cost savings:

- A new kinematic chain, enabling the company to manufacture alloy and stainless steel tubes up to 28” more competitively and efficiently.

8. Social aspects

The huge technological leap by the GROUP and the development and manufacture of high value added products is also backed by a significant amount of training

All the companies that make up GRUPO TUBOS REUNIDOS share the firm conviction that the human factor is a key element for success and for fulfilment of the goals set in the successive strategic plans.

To this effect, when undertaking the future development of the GROUP, it is essential to analyse and find the right combination of the human, technological and market factors.

Consequently, GROUP commitment to taking a huge technological leap at its facilities, by means of substantial investments aimed at developing and manufacturing high added value and demanding performance products, is only possible by making an outstanding effort in training at the same time, thereby enabling the new skills required by new production processes to be acquired. And in this effort, GRUPO TUBOS REUNIDOS is obtaining important results based on two factors: the high professionalism of its workforce and its significant level of involvement in the development of the various projects in progress.

In this context, and in the field of internal communication, we have to highlight the publication of generally available quarterly reports on milestones of our activity in each of the departments. Moreover, the Phoenix Project has been launched with the aim of making progress in operational excellence through continuous improvement in daily management.

Likewise, as regards occupational hazard prevention, the close collaboration of all parties involved should again be noted, resulting in the continuous improvement of the safety conditions at GROUP production facilities, an aspect which is also endorsed by permanently passing audits, whether regulatory or OHSAS 18001.

Once again, we are obliged to thank all the people who make up GRUPO TUBOS REUNIDOS, in all its companies and structures and at all professional levels, for their commitment and dedication, because without their cooperation the implementation of all these actions and activities and the success in the results obtained would not have been possible.

9. Shareholders and the Stock Market

Key data

The share capital of TUBOS REUNIDOS, as of 31 December 2013, is 17,468,088.80 euros, represented by 174,680,888 shares with a face value of 0.1 euros each.

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

Since 2 January 2009, TUBOS REUNIDOS has belonged to the Ibex Medium Cap index, made up of the 20 securities with the highest adjusted working capital, excluding the Ibex 35 listed companies.

Stock market evolution

Evolution of the Spanish stock market in 2013 was positive due to the entry of international investment in view of its low values and expectations of the start of recovery.

The quoting price for TUBOS REUNIDOS decreased by 1.4 percent. Liquidity, however, increased significantly, reaching 36.8 million shares traded for the amount of 64.9 million euros, representing an increase of 67 percent and 73 percent, respectively.

	2013	2012
TUBOS REUNIDOS	-1.4%	16.94%
IBEX 35	21.4%	-4.66%

A summary of listing prices is as follows:

Prices	Euros per Share	Date
Minimum	1.555	21 -JULY
Maximum	1.945	29 - JAN
Last	1.770	31 - DEC
Average	1.732	

Concerning liquidity, the frequency for trading of quoted shares was 100% throughout the year (257 days). Trading volumes increased significantly compared to 2012.

SHARES TRADED (THOUSANDS)

2013	Securities	Cash
1st Quarter	7,249	13,069
2nd Quarter	5,565	9,064
3rd Quarter	8,655	15,142
4th Quarter	15,386	27,674
Total	36,857	64,949

SHARES TRADED (THOUSANDS)

2012	Securities	Cash
1st Quarter	7,739	13,239
2nd Quarter	5,696	9,779
3rd Quarter	5,115	8,395
4th Quarter	3,461	6,233
Total	22,011	37,646

Treasury stock

TUBOS REUNIDOS has signed a liquidity contract, as the CNMV was informed by means of a Significant Event on 21 July 2008, which came into force on 8 September 2008, and which fully complies with the stipulations of Circular 3/2007, of 19 December.

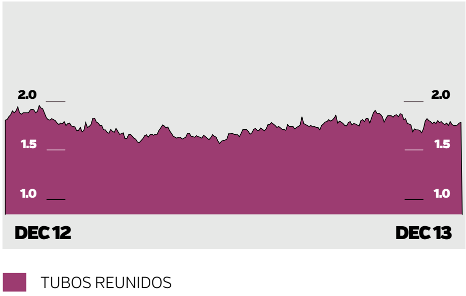
The balance of the treasury stock (bought-back shares), which is intended entirely to serve the liquidity contract, as of 31 December 2013 was 2,209,796 shares, representing 1.265% of the Company's share capital.
On 19 February 2014, the CNMV was informed of the block sale by the broker, Norbolsa, of 1,816,788 shares at the market price of 1.84 euros per share, in accordance with the stipulations of Circular 3/2007, of 19 December. Once this operation had been carried out, the balances of the securities account and cash account affected by the liquidity agreement were reduced to the following amounts and quantities:

a) Securities account: 300,000 shares, equal to the number of liquidity contract shares on the date it came into force.

b) Cash account: 500,000 euros, upon transfer of the excess by the broker to another account indicated by the issuer.

Evolution of trading

(In millions of euros)

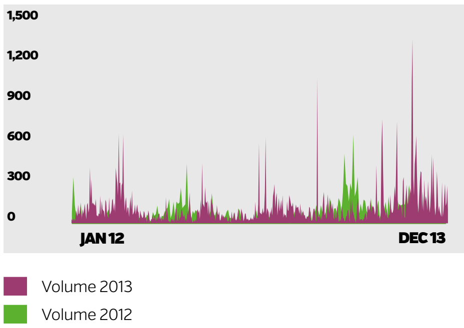


Shareholder remuneration

As approved by the Board of Directors, GRUPO TUBOS REUNIDOS has agreed to propose a dividend of 0.018 euros gross per share, charged to the profit of financial year 2013, representing a total amount of 3.1 million euros, at the next General Meeting of Shareholders.

Evolution of trading

(In millions of euros)



Relations with shareholders and investors

The shareholder and investor relations section has attended several meetings with private and institutional investors at the leading domestic and international financial centres and has also answered requests for information or assistance from minority shareholders through the shareholders' office. This is to maintain the GROUP commitment to provide the greatest transparency in its relationships with the different players in the financial markets.

10. Corporate governance

The Annual Corporate Governance Report (ACGR) for financial year 2013 may be consulted in its entirety on the Company website (www.tubosreunidos.com) and on the CNMV website (www.cnmv.es).

Moreover, in accordance with Article 526 of the Spanish Corporations Act, the ACGR is included as a separate section of the Management Report for financial year 2013.

The 2013 ACGR has been presented in the model approved by Spanish National Stock Market Commission (CNMV) Circular 5/2013, dated 12 June, including the content and structure provided for in Ministerial Order ECC/461/2013, of 20 March, which develops the Sustainable Economy Act 2/2011.

The most relevant aspects are described below:

Ownership structure

The shareholders with a significant holding, either direct or indirect, considering the threshold to be the 3% established by Royal Decree 1362/2007, of 19 December, were as follows:

Grupo BBVA	23.403 %
Acción Concertada familia Zorrilla-Lequerica Puig	10.223 %
Grupo Barandiarán	6.359 %
Ms. Carmen de Miguel Nart	3.816 %
Mr. Emilio Ybarra Churruca	3.331 %
Mr. Santiago Ybarra Churruca	3.331 %

It should be noted that in February 2014, Grupo BBVA reduced its shareholding to 14.87 percent, with investment funds managed by NMÁS1 ASSET MANAGEMENT, SGIIC, S.A. becoming a significant shareholders with 9.041 percent of joint stock. The company will exercise its voting rights.

Composition of the Board of Directors

The by-laws establish a minimum of 4 members and a maximum of 14. As of 31 December 2013, the Board of Directors was composed of 10 members, all external and none executive, of the following types:

- 6 external proprietary directors
- 2 external independent directors
- 2 other external director

Directors who resigned in 2013, on expiry of the term they had been appointed for, were Mr. Juan José Iribecampos (independent) and Mr. Luis Fernando Noguera (executive). Likewise, Mr. Joaquín Gómez de Olea presented his resignation, a vacancy covered, using the co-optation system, by Mr Alfonso Barandiarán, belonging to the same holding group, whose appointment shall be subjected to ratification at the A.G.M.

The Board of Directors met on 11 occasions during 2013, on a monthly basis, with all members attending, and all agreements were reached unanimously.

At the meeting of the Board of Director held on 3 June 2009, it was unanimously agreed that a Board Executive Committee should be created, composed of 6 members. This Committee currently consists of the following members:

Chair (Other External Director):

Mr. Pedro Abásolo Albóniga

Member (Proprietary Director):

Mr. Francisco Esteve Romero

Member (Independent Director):

Mr. Luis Alberto Mañas Antón

Member (Proprietary Director):

Mr. Enrique Portocarrero Zorrilla Lequerica

Member (Proprietary Director):

Mr. Emilio Ybarra Aznar

Secretary-Member (Other External Director):

Mr. Jorge Gabiola Mendieta

The Executive Committee reflects the composition of the Board as regards the type of directors.

The Executive Committee held 3 meetings during 2013 and all agreements were adopted unanimously.

The Auditing Committee met 5 times during 2013 and was made up of the following directors as at 31 December:

Chair (Proprietary Director)

Mr. Alberto Delclaux de la Sota

Member (Independent Director)

Mr. Roberto Velasco Barroetabeña

Member (Proprietary Director)

Ms. Leticia Zorrilla-Lequerica Puig

Secretary (Non-member)

Mr. Jorge Gabiola Mendieta

For its part, the Appointments and Remunerations Committee held 3 meetings in 2013 and had the following composition as at 31 December:

Chair (Proprietary Director)

Mr. Francisco Esteve Romero

Member (Other External Director)

Mr. Pedro Abásolo Albóniga

Member (Proprietary Director)

Mr. Enrique Portocarrero Zorrilla Lequerica

Secretary-Member (Other External Director):

Mr. Jorge Gabiola Mendieta

The members of the Board of Directors received remuneration in 2013 amounting to 1,624,000 euros (1,849,000 euros in 2012). Likewise in 2013, in accordance with Company by-laws, contributions were made to pension schemes for two members of the Board of Directors for a joint amount of 351,000 euros (585,000 euros en 2012) and compensation of 324.000 euros was paid to an Executive Director on cessation.

The Annual Board Remuneration Report shall be submitted, as a separate point on the Agenda, to a say-on-pay vote at the A.G.M. and is available to shareholders and investors on the Company website (www.tubosreunidos.com) and on the CNMV website (www.cnmv.es).

A.G.M.

The Ordinary General Meeting of the Company was held on 30 May 2013 and there has not been any extraordinary meeting during the year.

At this Meeting the shareholders were able to fully exercise their political rights, given that:

- All shareholders have the right to attend the Annual General Meeting, regardless of the number of shares they own.
- Shareholders are entitled to one vote for each share owned.
- Agreements are adopted, in all cases, according to the majorities detailed in the Spanish Corporations Act.

Attendance figures for the last three years' AGMs, either by attending in person or by proxy, were as follows:

2013	69.38 %
2012	67.56 %
2011	72.27 %

Control and risk management system

The 2013 ACGR contains all due information on the Company's risk management system, the bodies responsible for drawing up and implementing the system, the major risks that may affect achievement of objectives and the level of tolerance.

Internal Controls Over Financial Reporting (ICOFR)

In 2013 GRUPO TUBOS REUNIDOS applied and developed the ICOFR, according to the provisions of the Community directives and their transposition into Spanish legislation in the Account Auditing Act and the Sustainable Economy Act.
Implementation in late 2012 of a software application that supports all the ICORF in the GROUP, enabled the Auditing Committee to carry out its role of supervising the financial information for financial year 2013 with the necessary efficiency.
Consequently, a satisfactory response to all issues raised on the subject is provided in the ACGR for 2013.

Monitoring of compliance with the Combined Code

The Board of Directors of TUBOS REUNIDOS has carried out continuous improvement in the Corporate Governance of the GROUP and can state that it complies, in general and to a high degree, with the Combined Code recommendations approved by the Board of the CNMV on 22 May 2006.

11. Corporate social responsibility

The essential purpose of GRUPO TUBOS REUNIDOS, due to its very own trading nature, is the creation of wealth while complying with the existing regulations and ethics and, through this, the generation of employment and social wellbeing for the different stakeholders directly affected by its activities and, insofar as is possible, for the social sector as a whole.

For this reason, the GROUP takes on the commitment to integrate social, occupational and environmental criteria into the management of all its companies, seeking the creation of added value that affects the medium- and long-term improvement of the GROUP.

Safety and health at work

In addition to ensuring that all its companies have the appropriate occupational hazard prevention systems and management resources, GRUPO TUBOS REUNIDOS takes an active part, together with public institutions, labour unions and employers' associations, in the design and development of projects that promote the implementation of a preventive culture so as to reduce occupational hazards and accidents in companies in the steel-making sector.

Environment

Respect for the environment and commitment to sustainable development are the foundations of the basic actions of GRUPO TUBOS REUNIDOS, at both procedural and budgetary level. Together with the strictest fulfilment of environmental legislation, in this section it is necessary to highlight the commitment that exists with the objectives endorsed in the Voluntary Agreement signed by the companies in the steel production sector and the Basque Government's Department of Regional Planning and the Environment. Among the different environmental protection activities promoted during 2013, we can mention the following:

- Renewal, by both TUBOS REUNIDOS INDUSTRIAL and PRODUCTOS TUBULARES, of their ISO 14.001 environmental management certificates.

- Notification of CO2 emission rights allowances, through the RENADE (National Emissions Rights Registry) account.

- In collaboration with UNESID, TUBOS REUNIDOS INDUSTRIAL has again acted in an experiment for the implementation of a model of environmental hazard analysis, as well as in defining the effects of the implementation of European laws for safe treatment of chemical waste (REACH - Registration, Evaluation, Authorisation and Restriction of Chemicals) in steelmaker companies.

Quality

Like in previous years, GRUPO TUBOS REUNIDOS again made a great effort regarding quality issues throughout 2013 by optimising production processes and implementing continuous improvement.

In the same way, TUBOS REUNIDOS INDUSTRIAL obtained positive results in the audits for the main quality certificates: ISO 9001, ISO/TS 16949 and API Q1. It also overcame the approval processes required by different customers without any difficulty.

On its part, PRODUCTOS TUBULARES renewed and extended its API (American Petroleum Institute) Monogram licences and European PED (Pressure Equipment Directive) certification; it equally renewed the ISO 9001/2008 certification for the Quality Management System and other approval certificates such as IBR "Well Known Pipe Maker", Det Norske Veritas, and ASME as a Material Organization (MO) to be able to supply tubes destined for nuclear applications.

Cooperation activities

GRUPO TUBOS REUNIDOS once again collaborated with some of the most emblematic local cultural institutions and organizations, including the Guggenheim Museum Bilbao, Luis Bernaola Foundation, Fundación Lealtad, Engineering Faculty Foundation and Bilbao Opera Lovers' Association (ABAO).

In education and training, we can emphasise the close cooperation with different universities and occupational training institutions, which gave rise to cooperation agreements, grants and scholarships, work experience schemes and visits to GROUP production facilities.

GRUPO TUBOS REUNIDOS

CONSOLIDATED BALANCE SHEET
(In thousands of euros)

ASSETS	2013	2012	2011	2010
NON-CURRENT ASSETS	**411,801**	**404,268**	**346,467**	**335,053**
Property, plant and equipment	355,204	340,446	301,234	295,195
Other intangible assets	11,620	8,468	5,765	3,287
Investment property	435	447	459	471
Non-current financial assets	5,284	13,506	13,841	17,993
Deferred tax assets	39,258	41,401	25,168	18,107
CURRENT ASSETS	**213,898**	**271,443**	**267,654**	**272,237**
Inventories	115,286	121,293	110,844	116,174
Trade debtors and other accounts receivable	72,814	98,855	93,120	83,556
Assets resulting from current taxation	-	-	-	-
Cash and current financial assets	25,798	51,295	63,690	72,482
Other current assets	-	-	-	25
DISPOSABLE GROUP ASSETS CLASSIFIED AS HELD FOR SALE	**4,836**	**11,240**	**79,746**	**78,451**
TOTAL ASSETS	**630,535**	**686,951**	**693,867**	**685,741**

LIABILITIES	2013	2012	2011	2010
NET EQUITY	**246,037**	**243,588**	**238,326**	**211,872**
Subscribed capital	17,468	17,468	17,468	17,468
Reserves	217,916	214,892	207,254	185,470
Minority interests	10,653	11,228	13,604	8,934
DEFERRED INCOME	**10,946**	**9,369**	**5,965**	**38,249**
NON-CURRENT LIABILITIES	**239,893**	**226,674**	**201,807**	**166,719**
Bank loans	169,054	160,185	144,799	116,433
Deferred tax liabilities	21,868	21,921	17,646	17,918
Provisions	15,183	17,425	26,742	16,031
Other non-current liabilities	33,788	27,143	12,620	16,337
CURRENT LIABILITIES	**133,659**	**207,320**	**185,399**	**199,674**
Bank loans	38,568	71,019	31,874	64,981
Liabilities for current tax	-	4,948	8,364	2,590
Trade and other creditors	95,091	131,353	145,161	132,103
DISPOSABLE GROUP LIABILITIES CLASSIFIED AS HELD FOR SALE	**-**	**-**	**62,370**	**69,227**
TOTAL LIABILITIES	**630,535**	**686,951**	**693,867**	**685,741**

INCOME STATEMENT

In thousands of euros (Debit) Credit

	2013	2012	2011*	2010*
NET TURNOVER	**350,451**	**464,727**	**499,581**	**377,691**
Other income	16,056	10,535	7,683	15,716
Changes in finished product and work in progress inventories	1,963	240	(4,610)	26,849
Supplies	(161,781)	(226,403)	(254,014)	(213,273)
Personnel expenditure	(95,952)	(108,645)	(108,262)	(94,508)
Fixed asset depreciation	(24,686)	(26,606)	(21,210)	(21,780)
Other expenses	(77,819)	(100,282)	(94,058)	(82,635)
Other gains / (losses) - net	9,319	9,402	15,894	(18,354)
OPERATING INCOME / EXPENSE	**17,551**	**22,968**	**41,004**	**(10,294)**
Financial income	1,170	1,613	1,946	1,135
Financial expenses	(10,190)	(12,528)	(11,766)	(7,014)
Exchange differences and others	(2,405)	506	442	(1,315)
Share of profits and losses of associates	(4)	(34)	(25)	(31)
FINANCIAL PROFIT / (LOSS)	**(11,429)**	**(10,443)**	**(9,403)**	**(7,225)**
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**6,122**	**12,525**	**31,601**	**(17,519)**
Profits before tax	49	(1,477)	(6,426)	4,104
PROFIT FOR THE YEAR AFTER TAX FROM CONTINUING OPERATIONS	**6,171**	**11,048**	**25,175**	**(13,415)**
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	**-**	**-**	**(341)**	**92**
PROFIT / (LOSS) FOR THE YEAR	**6,171**	**11,048**	**24,834**	**(13,323)**
Minority interests	472	(475)	(399)	(860)
NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY	**6,643**	**10,573**	**24,435**	**(14,183)**

* Financial figures in the income statements for years 2010 and 2011 have been reformulated by reclassifying the distribution activity from “discontinued operations” and “held for sale” to “continuing operations”, to allow them to be correctly compared with the financial data for years 2012 and 2013.

13. Board of Directors and executive personnel

Board of Directors

PRESIDENT

Mr. Pedro Abásolo Albóniga *

VICE-PRESIDENT

Mr. Emilio Ybarra Aznar *

BOARD MEMBERS

Mr. Alfonso Barandiarán Olleros

Mr. Alberto Delclaux de la Sota

Mr. Francisco Esteve Romero *

Mr. Enrique Portocarrero Zorrilla de Lequerica *

Mr. Roberto Velasco Barroetabeña

Mr. Luis Alberto Mañas Antón *

Ms. Leticia Zorrilla de Lequerica Puig

SECRETARY-MEMBER

Mr. Jorge Gabiola Mendieta *

*Member of the Executive Committee.

Executive personnel

GRUPO TUBOS REUNIDOS

GENERAL MANAGER

Mr. Enrique Arriola Alcibar

GENERAL MANAGER FOR SALES

Mr. Antón Pipaón Palacio

GENERAL MANAGER FOR PLANNING, CONTROL AND FINANCIAL MANAGEMENT

Mr. Luis Pomposo Gaztelu

INVESTOR RELATIONS AND CORPORATE DEVELOPMENT

Ms. Eva Almeida Fuentes

TUBOS REUNIDOS INDUSTRIAL

GENERAL MANAGER

Mr. Carlos López de las Heras

PRODUCTOS TUBULARES

GENERAL MANAGER

Mr. Iñaki Pereda Gómez

GRUPO ALMESA

GENERAL MANAGER

Mr. Diego Otero Moyano

INAUXA-EDAI

GENERAL MANAGER

Mr. Ernesto Lauzirika Garate

14. GRUPO TUBOS REUNIDOS Directory

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TUBOS
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