



**TUBOS
REUNIDOS**
GROUP



Annual
Report
2012

1. Introduction



Business developed very positively for GRUPO TUBOS REUNIDOS in 2012, in spite of the global slowdown in activity and toughening competition.

External factors that influenced this favourable progress include the increase in oil and gas exploration, petrochemical and power generation projects, as a result of the increased energy demand in growth areas, which offset the lower demand in Europe.

The main seamless steel tube business achieved net turnover of 382.9 million euros, net profit of 25.4 million euros and EBITDA of 59.6 million euros, representing a margin on sales of 15.6%, higher than the 14.6% obtained the previous year.

In the GROUP as a whole, consolidated net turnover amounted to 464.7 million euros and consolidated net profit stood at 10.6 million euros, with EBITDA of 49.6 million euros, therefore lower than the amount contributed by the tubes business above, due mainly to the joint and non-recurrent cost of actions undertaken to reorganise the distribution business in accordance with its new strategic definition.

These results are the fruit of the accuracy and success of the decisions taken in the scope of the 2011-2016 Strategic Plan, which focuses on the following aspects:

– Specialisation and innovation: the range of new special products with high added value and greater profitability has been expanded.

– Commitment to investment: Investments amounting to 35 million euros were made in the seamless steel tube business in 2012, with the main goals of developing new products and markets and of improving the competitiveness of the GROUP.

– Geographical diversification and positioning in fastest growing markets: 87% of seamless tube sales were made outside Spain and 58% outside Europe. On their part, North America accounted for 31% of sales and those destined for emerging regions (North Africa, Asia, Middle East, Latin America) for 26%, all markets with high growth potential in the energy sector, in which TUBOS REUNIDOS carried out 83% of its sales.

– Flexible and competitive business model: along with the policies of maximising quality and service, the GROUP's flexible and competitive business model made it possible to optimise the overall margin by giving priority to the most profitable products, which, together with strict cost control, enabled the improvement of the EBITDA margin, despite the slowdown in activity levels.

In this situation, it is necessary to acknowledge and thank the professionalism and quality work of the people who make up GRUPO TUBOS REUNIDOS, as well as the invaluable participation and collaboration of all related stakeholders that have made the success achieved possible: customers, suppliers, institutions, etc.

With regard to 2013, macroeconomic development will remain subject to uncertainty, especially in Europe, with the risk of contagion to the rest of the world. GRUPO TUBOS REUNIDOS is facing the year confidently, and counting on:

– A clear commitment to differential value for customers.

– A tested business model that generates long-term value.

– A Strategic Plan and an Investment Plan, worth 150 million euros, which enable the Group to take advantage of growth opportunities and further strengthen its competitive position in the world.

These foundations represent a solid platform to increase results as demand and the general macroeconomic situation improve.

The financial structure of the GROUP remains solid, with net financial debt of €179.9M, of which 89% is long-term, thereby reinforcing the position of solvency, which is a permanent aim of the GROUP.

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 2013, of a dividend of 0.023 euros gross per share, charged to 2012 profits, representing a total amount of 4.02 million euros.

2. Key consolidated data



| Item | 2012 | 2011 ** | 2010 ** | 2009 ** |
|---|----------------|---------|----------|---------|
| Net income* | 464,727 | 499,581 | 377,691 | 395,692 |
| Net result* | 10,573 | 24,435 | (14,183) | 1,059 |
| Net Cash Flow* | 37,654 | 46,044 | 8,457 | 22,209 |
| Net Cash Flow / Sales (%) | 8.1 | 9.2 | 2.2 | 5.6 |
| Total Assets* | 686,951 | 693,867 | 685,741 | 664,368 |
| Equity* | 232,360 | 224,722 | 202,938 | 219,474 |
| EBITDA* | 49,574 | 62,214 | 11,486 | 25,162 |
| EBITDA / Sales (%) | 10.7 | 12.5 | 3.0 | 6.4 |
| Net result / Assets (ROA) (%) | 1.5 | 3.5 | (2.1) | 0.2 |
| Net result / Equity (ROE) (%) | 4.6 | 10.9 | (7.0) | 0.5 |
| Added value* | 148,817 | 154,582 | 124,348 | 133,725 |
| Personnel | 1,812 | 1,632 | 1,586 | 1,604 |
| Market Value* ^(31.12) | 313,552 | 268,135 | 319,666 | 373,817 |
| Book value per share (EUROS) | 1.3 | 1.3 | 1.2 | 1.3 |
| Price / Book value (TIMES) ^(31.12) | 1.35 | 1.19 | 1.58 | 1.70 |
| Profit per share (EUROS) | 0.06 | 0.14 | (0.08) | 0.01 |
| Average annual listed price (EUROS) | 1.72 | 1.90 | 2.03 | 2.16 |

*FIGURES IN THOUSANDS OF EUROS.

** Financial figures in the income statements for years 2009, 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 year 2012.



3. Economic environment

WORSENING OF THE CRISIS IN THE EURO ZONE IS THE MAIN CAUSE OF ECONOMIC WEAKENING AROUND THE WORLD

Financial year 2012 was characterized by a worsening of the global economic situation, which dropped from growing 4% in 2011 to 3.2% , due to the slowdown not only in advanced economies (GDP of 1.2% in 2012, compared to 1.6% in 2011) but also in emerging nations (5.1% compared to 6.4%).

The worsening in the intensity of the crisis in the euro zone, especially in the months of May to July, was the main cause of this worldwide economic weakness, making new interventions by central banks necessary. In this regard, the statements made in July by Mario Draghi, President of the ECB, should be noted, assuring that the highest European monetary authority would do everything necessary to preserve the euro, significantly reducing the risk of rupture in the currency.

The eurozone entered recession in 2012, with GDP contraction of -0.6% due to the clear spread of the economic downturn from the periphery towards the core of the region, due to the strong fiscal consolidation measures and due to strict restrictions on funding.

On its part, the U.S.A., thanks to the strong support of the Federal Reserve, maintained its process of moderate economic recovery in 2012, with growth of 2.2%, which was slightly higher than the 1.8% of the previous year. In the same way, it is important to point out the apparent recovery in the real estate sector in this country, after a six-year-long crisis, and the competitive advantage of its energy revolution for companies.

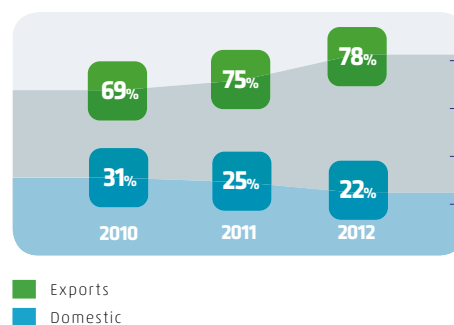
As regards emerging nations, the uncertainty in the eurozone was contagious for these countries, causing downward revisions in GDP growth in 2012. Thus, China closed the year with 7.8% growth compared to 9.3% the previous year, India dropped to 4% from 7.7%, while Brazil fell to 0.9% against 2.7% in 2011.

**Net income of
GRUPO TUBOS REUNIDOS**

(In millions of euros)

**Sales to domestic
and export markets
GRUPO TUBOS REUNIDOS**

(In % millions of euros)



World oil demand was stable throughout the year (IEA), with production of 89.6 million barrels per day. Oil exploration in the U.S.A. was active, while gas well exploration was lower. Consequently, the average number of active rigs (Baker Hughes), 1,919, was 2% higher in 2012.

Horizontal exploration accounted for 63% of the total, compared to 58% in December 2011. This exploration technology means greater efficiency and higher consumption of seamless tube and special Premium tube, due to the greater depth and length of the wells.

Outside the United States and Canada, the number of rigs has continued to increase, with 1,253 wells, representing growth of 6% over 2011, driven especially by activity in the Middle East and Africa.

In relation to electric power generation, despite the existence of new projects in Eastern Europe, the need for new power generation infrastructure in Europe and the United States remained low.

Energy demand is very significant in Asia, where investments in new infrastructures are necessary, especially in high efficiency and low pollution power plants, which require tubes with increasingly demanding technical specifications.

For its part, petrochemical activity was sustained in 2012, driven by investments in the Middle East, Africa and Asia-Pacific, although slowdowns and delays were seen in projects due to uncertainties and global financial tensions.

Other sectors, outside energy, showed low activity levels in 2012, especially in Europe.

4. Seamless steel tube production



Apparent consumption of seamless tubes in 2012 remained in line with 2011, showing an increase of 1.6% to reach 44.4 million tonnes. The sector was driven by the energy segment.

The geographic areas that presented highest growth were the Middle East with 13.2%, CIS with 9.5%, North America with 6% and China with 5.7%. On their part, the markets that suffered greatest decline were Western Europe with -23.7% and Latin America with -16.7%.

In the OCTG (Oil Country Tubular Goods) segment, global demand rose to about 16 million tonnes in 2012, meaning an increase of 6% over 2011. It should be noted that growth occurred in Premium products, while the number of tons of API (standard) products ordered remained stable. Premium tubular products accounted for around 25% of total OCTG demand. Consumption of OCTG products in 2012 was concentrated, with 50% in America and 28% in China and Russia.

SEAMLESS STEEL TUBE ACTIVITY MAINTAINED ITS MOMENTUM THANKS TO THE ENERGY SECTOR IN NORTH AMERICA AND EMERGING MARKETS



Globally, seamless steel tube production increased in response to the growth expectations in demand for tube to meet the new planned investments in energy infrastructure. In this sense, China registered significant new increases in its production capacity.

On its part, European Union production decreased in 2012, especially in the last quarter, when it decreased by 20.4% compared to the last quarter of 2011, reaching its lowest level since 2009. On the other hand, exports of product from the European Union increased by 6.4% over 2011.

Estimated apparent consumption 2012

(In % of tonnes)



| | |
|-----|---------------------------------|
| 52% | China |
| 12% | North America |
| 9% | CIS |
| 8% | Far East (Without China) |
| 6% | Western Europe |
| 5% | Latin America and South America |
| 4% | Middle East |
| 2% | Africa |
| 1% | Australia and Oceania |

4. Seamless steel tube production



The production and distribution of seamless steel tubes, the GROUP's main activity, resulted in net turnover of 382.9 million euros in 2012, accounting for 82% of GROUP revenue.

83% of tube sales were destined for the energy sector, in line with the GROUP strategic plan, representing an increase compared to 2011, when sales in this sector reached 78%.

The OCTG segment developed positively in 2012, particularly in North America, as a result of the increase in special high value added products, given the progress in the GROUP investment plan, which involved the incorporation of tubes with high alloy steels demanded by unconventional oil and gas exploration technologies.

In relation to the power generation and petrochemical segments, they also evolved positively, with an improvement of the product mix toward more specialty products, with a good tone of activity in areas where the Group has a growing presence, such as the Middle East, Far East, Africa and Oceania, thereby offsetting the lower levels of activity in Europe.

PREMIUM
PRODUCTS IN THE
OCTG AND POWER
GENERATION
SEGMENTS ARE
THE ITEMS THAT
EXPERIENCED
HIGHEST GROWTH
IN 2012

Destination of Tubos Reunidos exports

(In % of tonnes)



| | |
|-----|--------------------------------|
| 36% | North America (USA and Canada) |
| 34% | European Union |
| 12% | Far East |
| 10% | Middle East |
| 3% | Latin America |
| 3% | Africa |
| 1% | Rest of Europe |
| 1% | Oceania |

Distribution of sales GRUPO TUBOS REUNIDOS

(In %)



| | |
|-------------|----------------|
| 2012 | |
| 82% | Seamless tubes |
| 9% | Distribution |
| 9% | Automotive |

Energy sector sales

(In %)



| | |
|-------------|---------------|
| 2012 | |
| 83% | Energy sector |
| 17% | Others |

4. Seamless steel tube production



Tubos Reunidos Industrial

The overall figures recorded by TUBOS REUNIDOS INDUSTRIAL in 2012 may be described as excellent. This GROUP company, a specialist manufacturer of small and medium diameter seamless steel tube, achieved turnover of 273 million euros, its net profit amounted to 17.8 million euros and self-financing stood at 31.6 million euros. Meanwhile, EBITDA obtained was 40.6 million euros, equivalent to 14.9% of sales.

The following factors proved decisive in achieving such positive results:

- Increased activity in the oil and gas (OCTG) sector, based on slight but continual growth in demand for oil, which brought about an increase of investment in exploration and production (E&P).
- Permanent adaptation and flexibility to customer requirements and maxims, diversified geographical positioning and permanent commitment to quality and innovation. This commitment is faithfully reflected in the sales figures for special high value added tubes, accounting for a percentage in 2012 which is the second highest in the history of the company and following the parameters set in the 2011-2016 Strategic Plan.
- Effective measures implemented by TUBOS REUNIDOS INDUSTRIAL to reorganize processes and adapt its capacity to the market situation and demands, which, together with the cost control measures carried out, enabled profitability ratios comparable to the leading companies in the sector to be achieved.

TUBOS REUNIDOS INDUSTRIAL MADE A NET PROFIT OF 18 MILLION EUROS

As regards the financial structure, the self-financing generated and proper management of the working capital allowed a very strong position to be maintained. At year-end closing 2012, working capital stood at 64.6 million euros and net debt at 96.5 million euros, with this figure having increased from the previous year as a result of the order for payment by the Regional Government of Alava (Diputación Foral de Álava), in relation to the sentences issued by the Court of Justice of the European Union in June and July 2011, whereby the return of certain prior years' tax incentives was claimed from the company.

Insofar as markets are concerned, and following the trend of preceding years, exports accounted for 85% of total sales. TUBOS REUNIDOS INDUSTRIAL exported to 56 countries in 2012 and increased its number of customers by 6%. The major destination markets were again the European Union and North America, with more positive evolution in emerging countries in Asia and Africa.

Key economic data Tubos Reunidos Industrial

(In thousands of euros)

| | |
|-----------------|---------|
| CAPITAL | 50,000 |
| NET WORTH | 71,932 |
| TOTAL ASSETS | 326,422 |
| TURNOVER | 273,248 |
| 2012 PROFIT | 17,815 |
| WORKFORCE 31.12 | 713 |

4. Seamless steel tube production



Productos Tubulares

Despite the adverse economic situation and habitual market difficulties, the result of the activity carried out by PRODUCTOS TUBULARES in 2012, the manufacture of large diameter seamless steel tubes, was again very positive.

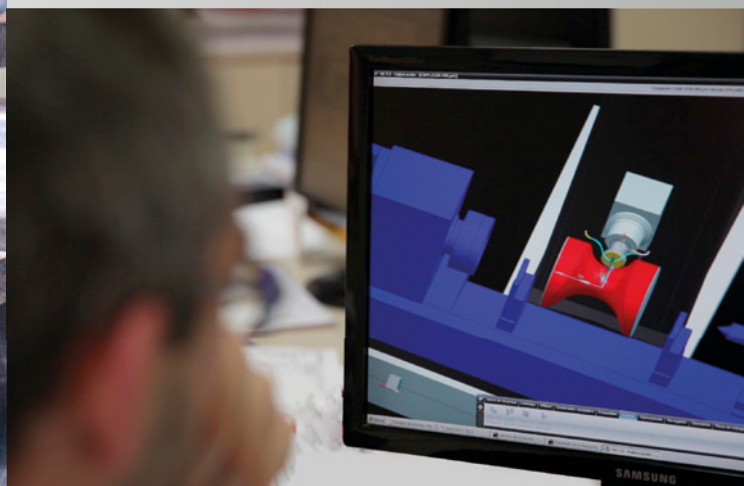
Turnover reached 115 million euros, 6% more than in 2011, and net profit exceeded 8 million euros, a rise of 13%, with self-financing of almost 15 million euros. On their part, both EBITDA and EBIT remained at high levels, at 14% and 8% of sales, respectively.

Likewise, the financial structure of the company is still excellent, with more than 89 million euros in equity and almost 23 million euros of working capital as at 31 December 2012. With regard to return on equity (ROE) or on total assets (ROA), it is again on a par with industry leaders in the sector.

These excellent results not only certify the resistance of PRODUCTOS TUBULARES to low cycles, but also its solid foundations of efficiency, profitability and excellent risk management. In this regard, the flexibility of the demand-driven production and the continuous innovation in products and processes remain two basic pillars of performance.

By products, pride of place again went to large diameter, special alloy and stainless steel tubes, involving greater specialisation and added value.

Regarding the geographical distribution of sales, deliveries to the domestic market again decreased, accounting for only 8.3% of total sales, measured in millions of euros. The European Union and North America, with 41.4% and 31.2% respectively, were again the main export destinations, followed by the Far East, with 14.1%.



PRODUCTOS
TUBULARES
INCREASED ITS
PROFIT AND
TURNOVER BY
13% AND 6%,
RESPECTIVELY

Key economic data **Productos Tubulares**

(In thousands of euros)

| | |
|-----------------|---------|
| CAPITAL | 17,000 |
| NET WORTH | 88,559 |
| TOTAL ASSETS | 167,998 |
| TURNOVER | 115,125 |
| 2012 PROFIT | 8,301 |
| WORKFORCE 31.12 | 436 |

5. Distribution



GROUP ALMESA
GOES
INTERNATIONAL AND
CONCENTRATES
ITS ACTIVITIES IN THE
INDUSTRIAL SECTOR



GRUPO ALMESA closes 2012 embarking on a Strategic Plan for the coming years whose basic mission is to redirect its activity to the distribution of exclusively industrial product, so that it acts as a complementary channel for the sale of GRUPO TUBOS REUNIDOS products.

In the same way, a priority component of this plan is the international expansion of GRUPO ALMESA, taking advantage, in a coordinated and orderly way, of the strength of GRUPO TUBOS REUNIDOS.

Thus, the company is reorganizing its logistics and resources structure, adapting it to the strengthening of its strategic business and getting rid of logistics related to the tertiary sector.

The evolution of the distribution market in Spain was not positive in 2012, and no great revival is expected in 2013. Nevertheless, based on the Strategic Plan mentioned above, GRUPO ALMESA is facing this year as the first on the path to recovery.

6. Other industrial activities



GRUPO TUBOS REUNIDOS, in accordance with the guidelines laid out by the 2011-2016 Strategic Plan, continues committed to strengthening and enhancement its subsidiaries engaged in other industrial activities.

Consequently, INAUXA-EDAI, the subsidiary dedicated to the automotive sector, has continued to go deeper into its internationalisation process that started in 2010, strengthening its production plants in China and Mexico, as well as the engineering that develops projects for both facilities.

As regards the Amurrio production plant, new investments in cutting-edge technologies have strengthened its position as a global supplier to the automotive industry worldwide, supplying leading manufacturers such as Volkswagen, General Motors, Nissan and Fiat.

In a highly demanding and competitive industrial sector, INAUXA-EDAI maintains a leadership position in Europe in the engineering and manufacture of automotive components, suspension links and power train and chassis systems.

7. Information on financial year 2012



7.1. Economic and financial analysis

The core seamless steel tube business of GRUPO TUBOS REUNIDOS achieved net profit of €25.4M and EBITDA of €59.6M in 2012, which represents a sales margin of 15.6%, thereby exceeding the 14.6% of the previous year.

Financial year 2012 had two very different parts. A first part of the year, up to July, in which the rate of activity remained relatively strong and global demand for oil and gas continued to rise, with a slight increase in the sales prices of seamless tube. After summer economic activity decreased, especially in the United States, with demand slowing down and sales prices stabilizing. In this context, GRUPO TUBOS REUNIDOS continued implementing the goals set out in the 2011-2016 Strategic Plan, raising competitiveness and internal efficiency and increasing sales of higher added value tubes, with an improvement in the mix of special tubes, which accounted for 72% of total sales in 2012, compared to 69% in 2011.

In a context of slowdown of global activity and toughening competition, these positive results of the GROUP core business were possible thanks to the strong international presence, to the good performance of the energy sector in general and the continuing improvement in the special products quota.

At year-end closing 2012, the Board of Directors of GRUPO TUBOS REUNIDOS took the decision to terminate the distribution business sale process, which had started in late 2010 and which the market environment had prevented from culminating, in order to redirect this business exclusively to the industrial segment, thus becoming an integral part of the commercial structure of the GROUP and its core business.

Consequently, the assets, liabilities and results of the distribution business were reclassified in the income statements for 2012 from “held for sale” and “discontinued operations” to continuing assets, liabilities and operations, within the consolidated GROUP.

The single recurrent cost of the reorganisation mentioned has been posted in its entirety in 2012, enabling GRUPO TUBOS REUNIDOS to obtain net profit of 10.6 million euros and EBITDA of 49.6 million euros, with consolidated sales of 464.7 million euros in 2012, after the reorganisation of the distribution business.

In accordance with IFRS 5, the said distribution segment was reclassified in the annual accounts for financial year 2011 as continuing operations, in order to allow correct comparability with financial year 2012.

THE STRENGTH OF GRUPO TUBOS REUNIDOS AGAIN LIES IN ITS SPECIALISATION, INTERNATIONAL PRESENCE AND COMMITMENT TO THE ENERGY SECTOR



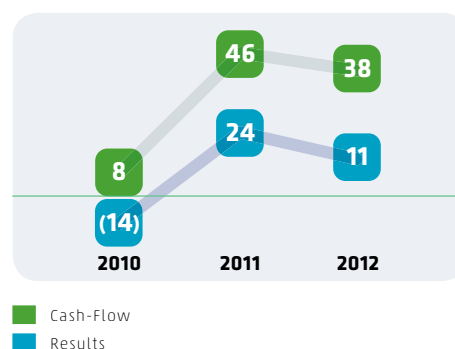
Total assets amounted to 686.9 million euros in a financial year in which the GROUP invested in tangible fixed assets for the amount of 41 million euros, reduced investment in working capital, inventory and customers/debtors by 8%, equivalent to 20 million euros, while maintaining similar levels for suppliers and other accounts payable. Working capital as at 31 December 2012 in continuing operations is 64.1 million euros, compared to 77.9 million euros in continuing and discontinued operations in 2011.

The total banking debt amounts to 231.2 million euros, of which 69%, i.e. 160.2 million euros, is long-term debt. Of these, 62% have maturity of more than 2 years. Liquidity, meanwhile, equivalent to cash in hand and other current financial assets, stood at 51.3 million euros as at 31 December 2012. All this entails a net financial debt of 179.9 million euros.

GRUPO TUBOS REUNIDOS maintains a strong balance sheet structure, with net equity of 243.6 million euros and permanent capital of 479.6 million euros, representing 69.6% of total liabilities and 7.5% higher than in 2011. All of this represents a solid financing structure that ensures fulfilment of the GROUP strategic and investment plan.

Progress of Cash-Flow and profits of the GRUPO TUBOS REUNIDOS

(in millions of euros)



7. Information on financial year 2012



7.2. Investments, Technological Development and Innovation

GRUPO TUBOS REUNIDOS made investments for the amount of 41 million euros in 2012, aimed at achieving greater competitiveness and profitability, showing its clear and convincing commitment to innovation and specialisation, both in processes and products. In the same way, significant improvements were again made in other key areas such as environment, safety and prevention.

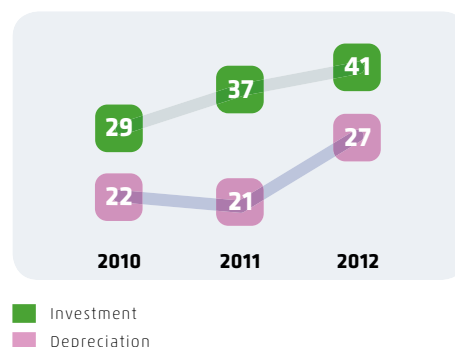
The following actions at the TUBOS REUNIDOS INDUSTRIAL plant in Amurrio stand out:

- Investments in developing a new vacuum degassing facility, in order to improve the quality of steel manufactured at the steelworks, allowing the manufacture of higher alloy products and steels with demanding high purity and low gas requirements.
- New tube finishing facility in one of the lines at the plant, which has been completed with an ultrasound unit (UTS), making the most modern non-destructive testing line available to meet customer quality requirements.
- Improvements in the hot rolling unit, in order to supply tube lengths (up to 25 metres), intended for the heat recovery circuits (HRSG) of combined cycle power stations.

INVESTMENTS IN 2012 REACHED 41 MILLION EUROS

Investments made by **GRUPO TUBOS REUNIDOS**

(in millions of euros)



On its part, the following actions were undertaken at the PRODUCTOS TUBULARES plant in Galindo:

- Adaptation of one of the two rolling mills to manufacture stainless and high alloy steel tubes up to 28 "outer diameter and, in addition, enable production of longer tubes than the current ones for the entire range of diameters and thicknesses made, through the use of bigger, heavier ingots.
- Improvements in the design and manufacture of tooling, aimed at reducing costs.
- Various actions to abate noise and improve the visual impact of the facilities.

In the same vein, we also have to highlight investments at the ACECSA plant in Pamplona, dedicated to the manufacture of cold drawn small diameter special products. Thanks to them, the facilities manufacture tubes in special lengths up to 27 metres, after having resolved the difficulties, at all levels, that manufacturing these products entails.

Similarly, R&D activities were once more oriented to improving processes and to designing new methods of manufacturing tubes that enable the range of qualities and dimensions to be expanded. To achieve this goal, GRUPO TUBOS REUNIDOS counted on the invaluable cooperation of benchmark laboratories, technology centres and universities, as well as the support of various agencies like the CDTI, belonging to the Ministry of Industry, and GAITEK, dependent on the Basque Government.

7. Information on financial year 2012



7.3. Social aspects

GRUPO TUBOS REUNIDOS considers human resources management as a basic factor in achieving its sustained business success. A permanent objective, therefore, is to achieve suitably sized structures composed of professionally satisfied people who are committed to the development of the strategic guidelines designed.

Thus, one of these strategic guidelines adopted is none other than taking a significant technological leap in our facilities and processes, by introducing state-of-the-art equipment. And logically, this requires a substantial training effort to update and adapt the knowledge and skills of all those involved in its installation, maintenance and operating performance.

In the same way, the incorporation of these new means of production requires adaptations in facilities and, consequently, in occupational hazard prevention measures in order to guarantee the safety of all users, an issue considered an absolute priority and of inexcusable compliance. In addition to the important annual investments made, this priority criterion is also backed by regulatory audits and OHSAS 18001 certification, once again successfully renewed.



GRUPO TUBOS REUNIDOS CONSIDERS TRAINING, SAFETY AND PREVENTION OF OCCUPATIONAL HAZARDS AS BASIC, STRATEGIC ITEMS

Another significant event during the year was the signing of the Collective Agreement in TUBOS REUNIDOS INDUSTRIAL for the 2012-2016 period, which doubtlessly provides stability to enable GRUPO TUBOS REUNIDOS to implement its Strategic Plan. Along the same lines, the start of a process of Knowledge Management that is expected to last several years is worth mentioning, as it will be an ideal complement to the major effort of workforce rejuvenation that is taking place.

Finally, and very specially, we have to thank and recognise the effort and dedication of each and every one of the people who make up GRUPO TUBOS REUNIDOS. Their collaboration has once again been essential in achieving the goals accomplished and will continue to be in order to reach new aims and objectives.

8. Shareholders and the Stock Market

Key data

The share capital of TUBOS REUNIDOS, as of 31 December 2012, 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

Market evolution has been again bearish in 2012, as a result of the macroeconomic situation, uncertainties and economic tensions, especially in the eurozone.

Aversion to Spanish risk by international investors remained high, leading to limited trading volumes.

The positive progress recorded by TUBOS REUNIDOS shares is remarkable, with a listing price that rose by 16.94% in 2012, showing significantly better performance than main comparable companies in the sector and than the Spanish stock market (see chart below). This was a result of the positive operational development of the company, as well as of the confidence of investors and analysts in its fundamentals.

| | |
|--------------------------------------|---------------|
| TUBOS REUNIDOS | 16.94% |
| COMPARABLE EUROPEAN COMPANIES | 0.01% |
| MID CAP | 14.95% |
| IBEX 35 | -4.66% |

A summary of listing prices is as follows:

| Prices | Euros per Share | Date |
|----------------|-----------------|------------------|
| Minimum | 1.445 | 24 - JULY |
| Maximum | 2.06 | 3 - APRIL |
| Last | 1.795 | 31 - DEC |
| Average | 1.7171 | |

Concerning liquidity, the frequency for trading of quoted shares was 100% throughout the year (257 days). Trading volumes were restricted in 2012 by high risk aversion in the Spanish stock market by international investors.

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 |

SHARES TRADED (THOUSANDS)

| 2011 | Securities | Cash |
|-------------------------------|---------------|---------------|
| 1st Quarter | 16,924 | 33,552 |
| 2nd Quarter | 14,602 | 32,975 |
| 3rd Quarter | 6,796 | 12,343 |
| 4th Quarter | 5,373 | 8,733 |
| Total | 43,695 | 87,603 |

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 2012 was 2,408,950 shares, representing 1.37% of the Company's share capital.

Shareholder remuneration

As approved by the Board of Directors, GRUPO TUBOS REUNIDOS has agreed to propose a dividend of €0.023 gross per share, charged to the profit of financial year 2012, representing a total amount of €4.02M, at the next General Meeting of Shareholders.

Relations with shareholders and investors

The shareholder and investor relations section has attended several meetings with over 100 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. The aim of all this is to maintain the commitment of the GROUP to provide the greatest transparency in its relationships with the different players in the financial markets.

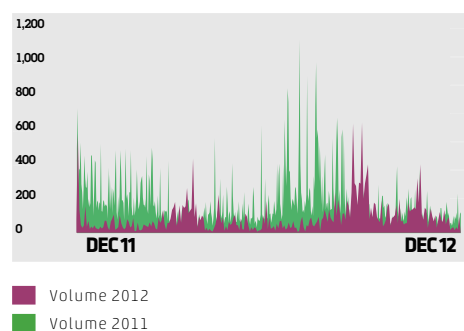
Evolution of trading

(in millions of euros)



Evolution of trading

(in thousands of shares)



9. Corporate governance



The Annual Corporate Governance Report (ACGR) for financial year 2012 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 2012.

In the same way, the information required by article 61 bis of the Securities Market Act, according to the drafting by the Sustainable Economy Act 2/2011 of 4 March 2011, highlighting the description of the main features of the internal control and risk management systems, in relation to the financial reporting process which will be referred to later, has been included in the ACGR.

The most relevant aspects are described below:

Ownership structure

There has been no alteration in 2012, which means that 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, remain as follows:

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

Composition of the Board of Directors

The number of members of the Board of Directors was 11 throughout 2012. The by-laws establish a minimum of 4 members and a maximum of 14.

The Board of Directors of Tubos Reunidos consisted of the following types of directors in 2012:

- ⇒ 6 external proprietary directors
- ⇒ 3 external independent directors
- ⇒ 1 other external director
- ⇒ 1 executive director

Consequently, the structure of the Board complies, among other aspects, with the following recommendations of the Combined Code:

- ⇒ External proprietary and independent directors make up the great majority of the Board (82%)
- ⇒ The number of independent directors represent almost one third of all board members (3 out of 11)

The Board of Directors met on 6 occasions during 2012, 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. In 2012 this Committee was composed of the following members:

Chair (Other External Director):

Mr. Pedro Abásolo Albóniga

Member (Executive Director):

Mr. Luis Fernando Noguera de Erquiaga

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

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

The Executive Committee held 6 meetings during 2012 and all agreements were adopted unanimously.

The frequency of the meetings of the decision-making bodies, either the Board of Directors or the Executive Committee, was monthly.

The Auditing Committee met 5 times during 2012, chaired by an independent, fulfilling the recommendation of the Combined Code, and was made up of the following directors:

Chair (Independent Director)

Mr. Roberto Velasco Barroetabeña

Member (Proprietary Director)

Mr. Alberto Delclaux de la Sota

Member (Proprietary Director)

Mr. Joaquín Gómez de Olea Mendaro

Member (Proprietary Director)

Ms. Leticia Zorrilla-Lequerica Puig

For its part, the Appointments and Remunerations Committee held 3 meetings in 2012 and is also composed of an independent chair and the following directors:

Chair (Independent Director)

Mr. Juan José Iribecampos Zubía

Member (Other External Director)

Mr. Pedro Abásolo Albóniga

Member (Proprietary Director)

Mr. Francisco Esteve Romero

Member (Proprietary Director)

Mr. Joaquín Gómez de Olea Mendaro

The members of the Board of Directors received remuneration in 2012, throughout the entire GROUP, amounting to 1,849,000 euros (1,822,000 euros in 2011). Likewise in 2012, 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 585,000 euros (584,000 euros in 2011).

A.G.M.

The Ordinary General Meeting of the Company was held on 3 May 2012 and there has not been any extraordinary meeting.

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:

| | |
|-------------|---------|
| 2010 | 71.42 % |
| 2011 | 72.27 % |
| 2012 | 67.56 % |

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.

Internal Controls Over Financial Reporting (ICOFR)

In 2012 work was carried out on the development and implementation of the ICOFR in GRUPO TUBOS REUNIDOS, according to the provisions of the Community directives and their transposition into Spanish legislation in the Account Auditing Act and the Sustainable Economy Act.

The 2012 ACGR responds satisfactorily to all the issues raised in the CNMV Draft Circular concerning the ICOFR.

The process culminated in late 2012 with the implementation of a software application that supports all the ICOFR in the GROUP, enabling the Auditing Committee to carry out its role of supervising the financial information for financial year 2012 with the necessary efficiency.

10. Corporate social responsibility

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 2012, we can mention the following:

- Renewal, by both TUBOS REUNIDOS INDUSTRIAL and PRODUCTOS TUBULARES, of their ISO 14.001 environmental management certificates.
- Notification of 2012 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.



Photograph: E. Moreno Esquibel

Quality

Like in previous years, GRUPO TUBOS REUNIDOS again made a great effort regarding quality issues throughout 2012 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 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 | 2012 | 2011 | 2010 | 2009 |
|---|----------------|----------------|----------------|----------------|
| NON-CURRENT ASSETS | 404,268 | 346,467 | 335,053 | 384,202 |
| Property, plant and equipment | 340,446 | 301,234 | 295,195 | 324,702 |
| Other intangible assets | 8,468 | 5,765 | 3,287 | 4,933 |
| Investment property | 447 | 459 | 471 | 7,993 |
| Non-current financial assets | 13,506 | 13,841 | 17,993 | 24,226 |
| Deferred tax assets | 41,401 | 25,168 | 18,107 | 22,348 |
| CURRENT ASSETS | 271,443 | 267,654 | 272,237 | 280,166 |
| Inventories | 121,293 | 110,844 | 116,174 | 100,682 |
| Trade debtors and other accounts receivable | 98,855 | 93,120 | 83,556 | 74,753 |
| Assets resulting from current taxation | - | - | - | 2,630 |
| Cash and current financial assets | 51,295 | 63,690 | 72,482 | 102,074 |
| Other current assets | - | - | 25 | 27 |
| DISPOSABLE GROUP ASSETS CLASSIFIED AS HELD FOR SALE | 11,240 | 79,746 | 78,451 | - |
| TOTAL ASSETS | 686,951 | 693,867 | 685,741 | 664,368 |
| | | | | |
| LIABILITIES | 2012 | 2011 | 2010 | 2009 |
| NET EQUITY | 243,588 | 238,326 | 211,872 | 227,731 |
| Subscribed capital | 17,468 | 17,468 | 17,468 | 17,468 |
| Reserves | 214,892 | 207,254 | 185,470 | 202,006 |
| Minority interests | 11,228 | 13,604 | 8,934 | 8,257 |
| DEFERRED INCOME | 9,369 | 5,965 | 38,249 | 43,247 |
| NON-CURRENT LIABILITIES | 226,674 | 201,807 | 166,719 | 215,410 |
| Bank loans | 160,185 | 144,799 | 116,433 | 145,537 |
| Deferred tax liabilities | 21,921 | 17,646 | 17,918 | 23,121 |
| Provisions | 17,425 | 26,742 | 16,031 | 19,453 |
| Other non-current liabilities | 27,143 | 12,620 | 16,337 | 27,299 |
| CURRENT LIABILITIES | 207,320 | 185,399 | 199,674 | 177,980 |
| Bank loans | 71,019 | 31,874 | 64,981 | 66,016 |
| Liabilities for current tax | 4,948 | 8,364 | 2,590 | 14,982 |
| Trade and other creditors | 131,353 | 145,161 | 132,103 | 96,982 |
| DISPOSABLE GROUP LIABILITIES CLASSIFIED AS HELD FOR SALE | - | 62,370 | 69,227 | - |
| TOTAL LIABILITIES | 686,951 | 693,867 | 685,741 | 664,368 |

INCOME STATEMENT

In thousands of euros (Debit) Credit

| | 2012 | 2011* | 2010* | 2009* |
|---|-----------------|----------------|-----------------|----------------|
| Net turnover | 464,727 | 499,581 | 377,691 | 395,692 |
| Other income | 10,535 | 7,683 | 15,716 | 14,056 |
| Changes in inventories of finished goods and work in progress | 240 | (4,610) | 26,849 | (44,328) |
| Supplies | (226,403) | (254,014) | (213,273) | (155,487) |
| Personnel expenditure | (108,645) | (108,262) | (94,508) | (107,905) |
| Fixed asset depreciation | (26,606) | (21,210) | (21,780) | (20,717) |
| Other expenses | (100,282) | (94,058) | (82,635) | (76,208) |
| Other gains / (losses) - net | 9,402 | 15,894 | (18,354) | (658) |
| OPERATING INCOME / EXPENSE | 22,968 | 41,004 | (10,294) | 4,445 |
| Financial income | 1,613 | 1,946 | 1,135 | 1,395 |
| Financial expenses | (12,528) | (11,766) | (7,014) | (9,554) |
| Exchange differences and others | 506 | 442 | (1,315) | 1,363 |
| Share of profits and losses of associates | (34) | (25) | (31) | - |
| FINANCIAL PROFIT / (LOSS) | (10,443) | (9,403) | (7,225) | (6,796) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 12,525 | 31,601 | (17,519) | (2,351) |
| INCOME TAX EXPENSE | (1,477) | (6,426) | 4,104 | 3,843 |
| PROFIT FOR THE YEAR AFTER TAX FROM CONTINUING OPERATIONS | 11,048 | 25,175 | (13,415) | 1,492 |
| PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS | - | (341) | 92 | - |
| PROFIT / (LOSS) FOR THE YEAR | 11,048 | 24,834 | (13,323) | 1,492 |
| MINORITY INTERESTS | (475) | (399) | (860) | (433) |
| NET INCOME ATTRIBUTABLE TO THE PARENT COMPANY | 10,573 | 24,435 | (14,183) | 1,059 |

* Financial figures in the income statements for years 2009, 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 year 2012.

12. Board of Directors and executive personnel

Board of Directors

PRESIDENT

Mr. Pedro Abásolo Albóniga *

VICE-PRESIDENT

Mr. Emilio Ybarra Aznar *

BOARD MEMBER, MANAGING DIRECTOR AND DEPUTY TO THE PRESIDENT

Mr. L. Fernando Noguera de Erquiaga *

BOARD MEMBERS

Mr. Alberto Delclaux de la Sota

Mr. Francisco Esteve Romero *

Mr. Joaquín Gómez de Olea Mendaro

Mr. Juan José Iribecampos Zubía

Mr. Luis Alberto Mañas Antón *

Mr. Enrique Portocarrero Zorrilla de Lequerica *

Mr. Roberto Velasco Barroetabeña

Ms. Leticia Zorrilla de Lequerica Puig

SECRETARY NON-MEMBER OF THE BOARD

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, FINANCIAL CONTROL AND MANAGEMENT

Mr. Luis Pomposo Gaztelu

COMMUNICATION MANAGER AND INVESTOR RELATIONS

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

GENERAL MANAGER

Mr. Ernesto Lauzirika Garate

13. Grupo Tubos Reunidos Directory

Tubos Reunidos

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**TUBOS
REUNIDOS**
GROUP

