Special Products & Integral Services Worldwide

Management Report and Results for the second quarter and first half of 2018

Amurrio-Álava, 28 September 2018 - Today, Tubos Reunidos announces its results for the second quarter and first half of 2018 compared to the results for the same period of 2017 and the results for the first quarter of 2018.

Guillermo Ulacia, Executive Chairman of Tubos Reunidos:

"The results obtained by Tubos Reunidos Group in the second quarter show the positive progress of the Transforma|360⁰ Plan and our ability to capture the OCTG market growth in the United States. These improvements have enabled us to offset the negative effects, compared to the second quarter of 2017, of the euro-dollar exchange rate, the cost increase in raw material and the effects of the production stoppage of our large-diameter facility, a business in which negotiations are still maintained with the workers' representatives for the implementation of measures to improve competitiveness.

Since 1 June 2018, we have been dealing with the entry into force of the imposition of 25% in taxes on our exports to the United States, and its effect on the volumes and profitability of our sales in this market, which represents 48% of our seamless steel tubes sales.

In order to cope with the impact of these tariff protection measures, we are adapting our management and business plan to reinforce the growth and operational improvements objectives and we are working with our financial entities to adapt the Group's financing structure to the new context"

Main Financial Figures, Consolidated Group:

Consolidated, Million EUR	Q2 2018	Q1 2018	% change	Q2 2017	% change	H1 2018	H1 2017	% change
Net Sales	91,2	81,0	13%	83,5	9%	172,2	163,5	5%
EBITDA	10,8	3,6	203%	5,4	101%	14,4	16,3	(12%)
% o. sales	*11,8%*	*4,4%*		*6,4%*		*8,3%*	*10,0%*	
EBIT	(4,1)	(5,6)	27%	(2,2)	(83%)	(9,6)	1,1	(987%)
Net income for the period	(3,4)	(8,6)	61%	(10,9)	69%	(11,9)	(10,8)	(11%)

1.- Consolidated Sales by Geographical Markets and Business Sectors

The net turnover amount rose to 172.2 million euros in the first half of 2018, posting a 5% increase compared to the same period of 2017.

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Piping sales, amounting to 161 million euros, increased by 3% compared to the first half of 2017, on the back of the increased OCTG activity in North America as well as in Africa, with increasing deliveries of premium threaded pipe in TRPT, for our joint sales contract with Marubeni Itochu Tubulars Europe. This higher turnover has offset the lower sales in the power generation, refining and petrochemical sectors, impacted by a lower level of activity and higher competition in this segment, as well as by the production stoppages organized by the workers' representatives at the large-diameter facility, Productos Tubulares, before the restructuring measures suggested by the company, which were in place from 8 March to 20 April.

Revenue by geography and sector, in thousands of euros	Q2 2018	Q1 2018	Change, %	Q2 2017	Change, %	H1 2018	H1 2017	Change, %
Domestic	7.816	8.626	-9%	10.476	-25%	16.443	22.169	-26%
Rest of Europe	15.142	18.770	-19%	22.464	-33%	33.911	46.780	-28%
North America	40.860	35.710	14%	33.283	23%	76.570	61.527	24%
East Asia	9.105	6.452	41%	9.616	-5%	15.556	15.513	0%
MENA	11.661	5.086	129%	2.478	371%	16.747	6.768	147%
Others	727	1.026	-29%	1.742	-58%	1.753	2.792	-37%
Refinning&petrochemical and Power generation	21.367	19.541	9%	7.008	205%	40.907	45.795	-11%
Oil&Gas - OCTG	33.547	33.015	2%	18.396	82%	66.562	59.650	12%
Oil&Gas - linepipes	16.441	11.391	44%	38.947	-58%	27.832	24.140	15%
Construction, mechanical, industrial	13.956	11.724	19%	15.708	-11%	25.680	25.962	-1%
Total Group	**85.310**	**75.670**	**13%**	**80.059**	**7%**	**160.981**	**155.549**	**3%**
Sales volume (tons)	**59.371**	**55.257**	**7%**	**60.478**	**-2%**	**114.628**	**118.396**	**-3%**

Sales by geographic area of requesting customer and not by destination

Drilling activity and oil and gas production continued to grow during the first half of 2018, with a 27% increase in the number of active rigs, which has led to a continuous strong demand for OCTG. The uncertainties regarding protectionist measures until their resolution and entry into force on 1 June have implied a greater increase in apparent demand and a rise in prices in the period. For its part, Tubos Reunidos has captured the growth of this market, which, together with the higher sales of OCTG premium threaded product in TRPT outside North America, has translated as a 12% increase in OCTG turnover. Therefore, growth in North America amounts to 24%, and 147% in the Middle East and Africa.

Sales in Spain have dropped by 26% and 28% in the rest of Europe, mainly on the back of increased competition and imports, which spiked by 32,5% until August 2018 up to 327.423 MT due to the effects of Section 232 in the United States.

During the second quarter, piping sales amounted to 85.3 million euros, representing a 7% increase compared to the same period of the previous year, and 13% compared to the first quarter of 2018, with the large-diameter facility working uninterruptedly without production stoppages since 20 April, and with an increase in the price of OCTG pipes and an appreciation of the dollar compared to the levels of the first quarter.

2.- Analysis of Consolidated Results

In the first half of 2018, the Group's EBITDA amounted to 14.4 million euros, which represents a 12% decrease over the EBITDA for the same period of the year in 2017 given that the increase in sales and results of Transforma 360 Plan have made it possible to mitigate, but not compensate, for the negative effects of dollar depreciation, the cost of scrap increase and the productive stoppage in the large-diameter plant.

The negative result amounts to 11.9 million euros, although it includes 5.8 million expenses due to the deterioration of the source in the modifications of the Statutory Standard of the Corporation Tax, which is reduced in the tax rate, and the analysis of its recoverability according to the business plan update. Without this effect, the first semester results of 2018 would have been 43% better than the same period of the previous year.

Regarding the second quarter of 2018, EBITDA amounted to 10.8 million euros, an increase of 5.4 million euros compared to the same period of the previous year. Such increase was backed by the results of the Transforma|360 0 plan and the higher volumes and sales prices, which have enabled us to overcome the negative effects of the higher costs of raw materials (+18.8%) and the depreciation of the dollar (-5%) and the underperformance of the large-diameter pipe business impacted by the strike that took place in the first quarter and the lower level of activity in this segment.

The EBITDA margin on sales stood at 11.8%, which represents a 5.4 percentage point increase over the margin of the same period last year, on the back of better sale prices and the tailoring of the product mix to the facilities, achieving improvements in terms of productivity and efficiency.

3.- Cash Flow and Net Financial Debt

In the first half of the year as a whole, the operating cash flow[1] reached 12.7million euros, the investment in working capital was 19.1 million euros, due to the increase of inventories in the United States as a management measure to tackle the incoming tariffs due to the 232, and by the effects of the strike held in the first quarter at the large-diameter facility. Net capital investments stood at 1.5 million euros after the payment of investments totaling 8.8 million euros and the collection of divestments of real estate assets amounting to 9.9 million euros.

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

Free cash flow[2] obtained in the period amounted to a negative amount of 4.9 million euros, and the net financial debt[3] as of 30 June 2018 stands at 220.9 million euros.

In the second quarter of 2018, however, operating cash flow stood at 12.1 million euros and the variation in working capital represents an increase of 5.4 million euros. Net capital investments in the period resulted in a positive cash flow of 4.7 million euros, including payments for investments of 3.8 million euros and divestments of real estate assets, not impacted by the business, of 8.5 million euros. The free cash flow generated in the period amounts to a positive amount of 11.4 million euros.

4.- Value Creation Plan -Transforma|360^0

From the onset of the execution of the Transforma Plan|360^0 at the beginning of the second half of 2017, the implementation of 91 initiatives has been completed, which translates as 40% of the improvement target of 45 million recurring EBITDA in 2020 over a base EBITDA[4].

In the first half of 2018, the effect of the implemented measures amounts to 8.9 million euros of improvement of the base EBITDA, and a reduction of the investment needs in working capital of 11.5 million euros.

Due to the decline of the business results of large diameter pipes, in addition to the measures of the Transforma Plan, a negotiation process was started with the workers' representatives, to strengthen the improvement needs of the competitiveness of Productos Tubulares. Proposals have been made without any agreements being reached at this time given that the assessment of the situation and the proposed actions to overcome the difficulties are not shared.

5.- Outlook

The dynamism of shale drilling activity in the United States continues, nevertheless, the apparent demand has decreased in recent months and there are uncertainties regarding the maintenance and the magnitude of the impact, in the short and medium term, of the tariff measures on the volumes and profitability of our sales in this market.

The indirect effects of the enforcement of tariffs or quotas on exports to the United States in other markets have been evidenced by an increase in imports in Europe in 2018, a market in which there are currently no protectionist measures for European made seamless steel tubes, impacting our sales in the mechanical piping sector as well as in power generation, refining and petrochemical projects where high competition still stands.

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

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

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

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In order to cope with the above, we are adapting our management and business plan to reinforce the growth and operational improvements objectives and we are working with our financial entities to adapt the Group's financing structure to the new context.

Financial Statements

INCOME STATEMENT, Thousands of Euros	Q2 2018	Q2 2017	Q2 2018 vs. Q2 2017	H1 2018	H1 2017	H1 2018 vs. H1 2017
Net sales	**91.238**	**83.539**	*9,2%*	**172.202**	**163.543**	*5,3%*
Changes in inventory	11.227	6.059	*85,3%*	16.341	17.748	*(7,9%)*
Supplies	(42.205)	(41.798)	*(1,0%)*	(79.939)	(81.236)	*1,6%*
Labor costs	(24.175)	(24.672)	*2,0%*	(47.771)	(49.277)	*3,1%*
Other operating expenses	(29.038)	(19.899)	*(45,9%)*	(50.534)	(38.622)	*(30,8%)*
Other operating income and net gains/(losses)	3.757	2.133	*76,1%*	4.069	4.170	*(2,4%)*
EBITDA	**10.804**	**5.362**	***101,5%***	**14.368**	**16.326**	***(12,0%)***
Depreciation and amortisation charge	(14.877)	(7.587)	*(96,1%)*	(24.006)	(15.239)	*(57,5%)*
EBIT	**(4.073)**	**(2.225)**	***(83,1%)***	**(9.638)**	**1.087**	***(986,7%)***
Financial income/(expense)	(1.438)	(7.037)	*79,6%*	(5.033)	(9.520)	*47,1%*
Profit before income tax	**(5.511)**	**(9.262)**	***40,5%***	**(14.671)**	**(8.433)**	***(74,0%)***
Profits tax	1.727	204	*746,6%*	1.956	444	*340,5%*
Consolidated profit for the period	**(3.784)**	**(9.058)**	***58,2%***	**(12.715)**	**(7.989)**	***(59,2%)***
Profit from non continuing operations	-	(2.240)	***100,0%***	-	(3.569)	***100,0%***
Consolidated profit for the period	**(3.784)**	**(11.298)**	***66,5%***	**(12.715)**	**(11.558)**	***(10,0%)***
Profit from minority interests	418	410	*2,0%*	794	777	*2,2%*
Profit for the period	**(3.366)**	**(10.888)**	***69,1%***	**(11.921)**	**(10.781)**	***(10,6%)***

BALANCE SHEET, Thousands of Euros	2Q 2018	FY 2017
NON-CURRENT ASSETS	**385.285**	**426.557**
Inventories and customers	150.559	117.640
Cash and other cash equivalents	31.147	19.398
CURRENT ASSETS	**181.706**	**137.038**
Assets held for sale	--	--
TOTAL ASSETS	**566.991**	**563.595**
NET EQUITY	**130.237**	**144.389**
DEFERRED REVENUES	**5.392**	**13.114**
Non-current provisions	1.995	1.932
Bank borrowings and other financial liabilities	179.743	191.540
Fixed income securities	15.157	15.119
Other non-current liabilities	49.015	56.985
NON-CURRENT LIABILITIES	**245.910**	**265.576**
Short-term provisions	4.777	2.163
Bank borrowings and other financial liabilities	57.102	25.726
Other current liabilities	123.573	112.627
CURRENT LIABILITIES	**185.452**	**140.516**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**566.991**	**563.595**
Net financial debt	**220.855**	**212.987**

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Cash Flow, Millions of Euros	H1 2018	Q2 2018
Result before Taxes	**-14,7**	**-5,5**
- Amortisation	18,2	9,1
- Other Adjunstments	9,2	8,5
CASH FLOW FROM OPERATING ACTIVITIES	**12,7**	**12,1**
- Change in Working Capital	-19,1	-5,4
(increase)/decrease of inventories	-18,0	-11,4
(increase)/decrease of accounts receivables	-17,4	-9,4
(increase)/decrease of accounts payable	16,3	15,4
- Investments Activities	1,5	4,7
Investments	-8,8	-3,8
Withdrawals	10,3	8,5
FREE CASH FLOW	**-4,9**	**11,4**

Information and Forward-Looking Statements

The financial and operational information included in this notice is based on consolidated financial statements, of which the auditor has issued a limited review report, that has been sent to the National Stock Exchange Commission. This document has been prepared by TUBOS REUNIDOS, S.A., which distributes it exclusively for information purposes. This document contains forward-looking statements and includes information regarding our current intent, belief or expectations about future trends and events that could affect our financial condition, the results of operations or the value of our shares. These forward-looking statements are not guarantees of future performance, and they entail risks and uncertainties. Therefore, actual results may differ significantly from the forward-looking statements, as a result of various factors, risks and uncertainties, such as economic, competitive, regulatory or commercial factors. Both the information and conclusions contained herein are subject to change without prior notice. TUBOS REUNIDOS, S.A. undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. The results and developments indicated could differ significantly from those indicated in this document.