Tubos Reunidos, S.A. and subsidiaries

Audit Report,
Consolidated Annual Accounts at 31 December 2014
and directors' Report for 2014

pwc

"This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation."

INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Tubos Reunidos, S.A.:

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Tubos Reunidos, S.A. and its subsidiaries, which comprise the consolidated balance sheet position as at December 31, 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Tubos Reunidos, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Tubos Reunidos, S.A. and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2014 contains the explanations which the parent company´s directors consider appropriate regarding Tubos Reunidos, S.A. and its subsidiaries´ situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2014.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Tubos Reunidos, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Gabriel Torre

Audit Partner

26 February 2015

TUBOS REUNIDOS, S.A.

JORGE GABIOLA MENDIETA, Abogado, Secretario del Consejo de Administración de TUBOS REUNIDOS, S.A., domiciliada en Amurrio (Alava), Bº Sagarribay s/n, e inscrita en el Registro Mercantil de Alava, al Tomo 881, folio 22 vuelto, hoja VI 6719 y provista de C.I.F. número A-48011555.

CERTIFICO:

Que las Cuentas Anuales consolidadas de Tubos Reunidos y sus sociedades participadas correspondientes al ejercicio cerrado el 31 de diciembre de 2014, que han sido traducidas al inglés para su presentación en el Informe Anual de 2014, coinciden en todos sus términos con las Cuentas Anuales en español que fueron formuladas por el Consejo de Administración de Tubos Reunidos el 26 de febrero de 2015.

Firmo la presente certificación, en Amurrio (Alava) a trece de abril de dos mil quince.

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

Consolidated financial statements and Consolidated Management Report for the year ended 31 December 2014

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(In thousands of Euros)

		At 31 December	
ASSETS	**Note**	**2014**	**2013**
Property, plant and equipment	6	357,175	355,204
Other intangible assets	7	14,021	11,620
Investment property		424	435
Non-current financial assets	8	217	5,284
Deferred tax assets	20	45,802	39,258
NON-CURRENT ASSETS		417,639	411,801
Inventories	11	140,874	115,286
Trade and other receivables	8/10	74,607	75,972
Other current financial assets	8	6,171	10,546
Cash and cash equivalents	8/12	18,293	15,252
CURRENT ASSETS		239,945	217,056
ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	13	4,599	4,836
TOTAL ASSETS		**662,183**	**633,693**
EQUITY AND LIABILITIES			
Share capital	14	17,468	17,468
Share premium	14	387	387
Other reserves	15	48,924	48,924
Retained earnings	15	179,192	176,053
Cumulative exchange difference	-	(74)	(3,227)
Less: treasury shares	14	(790)	(4,221)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		245,107	235,384
Non-controlling interests	16	15,829	10,653
TOTAL EQUITY		260,936	246,037
DEFERRED INCOME	17	12,469	10,946
Borrowings	8/19	155,640	169,054
Deferred tax liabilities	20	21,481	21,868
Other non-current liabilities	8/18	30,067	33,788
Provisions	21	3,622	15,183
NON-CURRENT LIABILITIES		210,810	239,893
Borrowings	8/19	40,436	38,568
Suppliers and other payables	8/18	126,542	91,230
Derivative financial instruments	8/9	2,715	-
Other current liabilities		26	22
Provisions	21	8,249	6,997
CURRENT LIABILITIES		177,968	136,817
TOTAL LIABILITIES		401,247	387,656
TOTAL EQUITY AND LIABILITIES		**662,183**	**633,693**

Notes 1 to 35 are an integral part of these consolidated financial statements

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(In thousands of Euros)

	Note	Year ended 31 December 2014	2013
Revenue	22	407,952	350,451
Other income	23	12,275	16,056
Change in inventories of finished goods and work in progress	11	18,993	1,963
Supplies	11	(217,285)	(161,781)
Employee benefit expense	24	(101,296)	(95,952)
Depreciation and amortisation	6/7	(26,361)	(24,686)
Other expenses	25	(86,254)	(77,819)
Other (losses)/gains - net	26	6,988	9,319
OPERATING PROFIT		15,012	17,551
Finance income	27	234	1,170
Finance costs	27	(10,623)	(10,190)
Exchange differences (net)	27	1,586	(2,405)
Impairment and gains/(losses) on disposal of financial instruments	27	(8)	-
Share of profit/(loss) of associates and joint ventures accounted for using the equity method	27	(16)	(4)
NET FINANCIAL LOSS		(8,827)	(11,429)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		6,185	6,122
Income tax receipt/(expense)	28	1,266	49
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		7,451	6,171
PROFIT FOR THE YEAR		7,451	6,171
Non-controlling interests	16	(372)	472
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**7,079**	**6,643**

	Note	Year ended 31 December 2014	2013
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in Euros per share)	29		
Basic earnings per share:			
- From continuing operations		0.041	0.039
- From discontinued operations		-	-
		0.041	0.039
Diluted earnings per share:			
- From continuing operations		0.041	0.039
- From discontinued operations		-	-
		0.041	0.039

Notes 1 to 35 are an integral part of these consolidated financial statements

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(In thousands of Euros)

	Year ended 31 December	
	2014	**2013**
PROFIT FOR THE YEAR	**7,451**	**6,171**
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(54)	(157)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,397**	**6,014**
Attributable to:		
- Owners of the parent	7,121	6,486
- Non-controlling interests	276	(472)
	7,397	**6,014**

Notes 1 to 35 are an integral part of these consolidated financial statements

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(In thousands of Euros)

	Attributable to owners of the Company							
	Share capital (Note 14)	Treasury shares (Note 14)	Share premium (Note 14)	Other reserves (Note 15)	Cumulative exchange difference	Retained earnings (Note 15)	Non-controlling interests (Note 16)	Total equity
Balance at 31 December 2012	17,468	(4,613)	387	48,924	(3,275)	173,469	11,228	243,588
Total comprehensive income for 2013	-	-	-	-	(157)	6,643	(472)	6,014
Transactions with treasury shares	-	392	-	-	-	-	-	392
Dividends	-	-	-	-	-	(3,957)	-	(3,957)
Other changes	-	-	-	-	205	(102)	(103)	-
Balance at 31 December 2013	17,468	(4,221)	387	48,924	(3,227)	176,053	10,653	246,037
Total comprehensive income for 2014	-	-	-	-	42	7,079	276	7,397
Transactions with treasury shares (Note 14)	-	3,431	-	-	-	-	-	3,431
Dividends	-	-	-	-	-	(3,139)	-	(3,139)
Changes in consolidation scope (Note 1)	-	-	-	-	2,310	-	4,900	7,210
Other changes	-	-	-	-	801	(801)	-	-
Balance at 31 December 2014	17,468	(790)	387	48,924	(74)	179,192	15,829	260,936

Notes 1 to 35 are an integral part of these consolidated financial statements

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(In thousands of Euros)

	Year ended 31 December	
	2014	**2013**
Cash flows from operating activities		
Cash generated from operations	43,566	45,378
Interest collected	234	-
Interest paid	(10,450)	(10,190)
Net cash generated from operating activities	33,350	35,188
Cash flows from investing activities		
Purchases of property, plant and equipment	(28,733)	(37,813)
Proceeds from sale of property, plant and equipment and intangible assets	426	662
Proceeds from disposal of available-for-sale financial assets	292	271
Purchases of intangible assets	(4,715)	(5,837)
Proceeds from redemption of financial assets	8,485	30,669
Net cash used in investing activities	(24,245)	(12,048)
Cash flows from financing activities		
Acquisition and cancellation of treasury shares	3,431	392
Proceeds from borrowings	70,077	82,400
Repayment of borrowings	(81,333)	(105,982)
Income from shares issued by a subsidiary (non-controlling)	4,900	-
Dividends paid to owners of the Company	(3,139)	(3,957)
Net cash used in financing activities	(6,064)	(27,147)
Net (decrease)/increase in cash and cash equivalents	**3,041**	**(4,007)**
Cash and cash equivalents at beginning of year	15,252	19,259
Cash and cash equivalents at end of year	**18,293**	**15,252**

Notes 1 to 35 are an integral part of these consolidated financial statements

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(In thousands of Euros)

1. General information

Tubos Reunidos, S.A. (T.R.), as holding company, is head of a group of companies (see table below) operating in the seamless tube, distribution, automotive and other sectors. Its registered office for business and tax purposes is located in Amurrio (Álava).

The parent is a public limited company (*sociedad anónima*) listed on the Bilbao and Madrid stock exchanges.

Subsidiaries, which are fully consolidated as the Company has a majority shareholding or control, are as follows:

Company name and registered office	Activity	%	Parent company	Auditor
Tubos Reunidos Industrial, S.L. (Sociedad Unipersonal) (TRI) Amurrio (Álava)	Industrial	100	T.R.	PwC
Productos Tubulares, S.A. (Sociedad Unipersonal) (PT) Valle de Trápaga (Vizcaya)	Industrial	100	T.R.	PwC
T.R. Aplicaciones Tubulares de Andalucía, S.A. (TRANDSA) Chiclana (Cádiz)	Dormant	100	T.R.	-
Aceros Calibrados, S.A. (ACECSA) Pamplona (Navarra)	Industrial	100	T.R.	(**)
Tubos Reunidos Premium Threads, S.L. (TRPT) (*) Iruña de Oca (Álava)	Industrial	51	T.R.	-
Industria Auxiliar Alavesa, S.A. (INAUXA) (*) Amurrio (Álava)	Industrial	50	T.R.	PwC
Engineering Developments for Automotive Industry, S.L. (EDAI) (*) Amorebieta (Vizcaya)	Holding	50	T.R.	PwC
EDAI Technical Unit, A.I.E. (*) Amorebieta (Vizcaya)	Engineering	50	EDAI	PwC
Inaumex, S.A. de C.U. (*) Celaya (Mexico)	Industrial	50	EDAI	PwC
Kunshan Inautek Automotive Components Co. Ltd. (*) Kunshan (China)	Industrial	50	EDAI	PwC
T.R. América, Inc. Houston (Texas)	Trading	100	T.R.	(**)
Almacenes Metalúrgicos, S.A.U. (ALMESA) Güeñes (Vizcaya)	Trading	100	T.R.	PwC
T.R. Comercial, S.A. Amurrio (Álava)	Trading	100	T.R.	-
Profesionales de Calefacción y Saneamiento, S.L. (PROCALSA) Barcelona	Trading	100	Almesa	(**)
Clima, S.A.U. (CLIMA) Bilbao	Holding company	100	T.R.	-
Aplicaciones Tubulares, S.L. Bilbao (Vizcaya)	Dormant	100	T.R.	-

(*) Fully consolidated as the Group has effective control (Note 4.2).
(**) Consolidated review conducted by PwC.

(In thousands of Euros)

Associates of the Group accounted for using the equity method are as follows:

Company name and registered office	Activity	%	Parent company
Perimetral Sallen Technologies, S.L. (Madrid)	R&D	31	P.T.

Changes in consolidation scope

Aplicaciones Tubulares, C.A. (Atuca), a company with registered office in Venezuela, was sold off in 2H 2014. The sale posted a loss of 2.5 million euros on the consolidated income statement, 2.3 million euros of which were accounted for by reversal of the translation differences at the time of the sale, with no impact on Group capital.

Tubos Reunidos Premium Threads, S.L. was incorporated on 27 November 2014 - 51% of share capital was subscribed and paid up by the Group through Tubos Reunidos, S.A. The main business of the company will be seamless tube finishing and processing.

Consolidated financial statements

The financial statements of Group companies used in the consolidation process refer, in all cases, to annual periods ended 31 December.

Authorisation for issue of financial statements

The 2013 financial statements were authorised for issue by the Parent's Board of Directors on 20 February 2014, and were approved by the General Meeting of Shareholders on 8 May 2014. The 2014 financial statements were authorised for issue by the Board of Directors on 26 February 2015 and are pending approval by the General Meeting of Shareholders. The Group's directors expect them to be approved without modification.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as explained in Note 2.1 below.

2.1 Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed for use in the European Union (IFRS-EU) and approved by Regulations of the European Commission, and effective as of 31 December 2014, and IFRIC interpretations.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

A number of International Financial Reporting Standards came into effect on 1 January 2014, and the Company has adapted its consolidated financial statements to these standards. The new standards are listed below.

The consolidated financial statements are not affected by any aspects that could contravene the basis of presentation applicable.

IFRS-EU standards

a) Standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2014

IFRS 10 "Consolidated Financial Statements"

IFRS 10, introduced in May 2011, replaces the guidelines regarding control and consolidation provided in IAS 27 "Consolidated and Separate Financial Statements" and supersedes SIC-12 "Consolidation - Special Purpose Entities", which is thereby repealed. IFRS 10 sets out the principles for presentation and preparation of consolidated financial statements. This IFRS introduces changes in the concept of control, which it still considers the determining factor as to whether an entity should be included in the consolidated financial statements. The concept of the unit composed of the parent and its subsidiaries for the purposes of the consolidated financial statements and the consolidation procedures are broadly unchanged from the previous IAS 27.

The standard has been applied by the Group, and has not entailed any changes to its consolidated financial statements.

IFRS 11 "Joint Arrangements"

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". IFRS 11 establishes the accounting treatment for joint arrangements based on the rights and obligations of the arrangement, rather than its legal format. It sets out only two types of joint arrangements: joint operations and joint ventures. In joint operations, the joint operator has rights to the assets and obligations for the liabilities relating to the arrangement, recognising assets, liabilities, revenues and expenses relating to its involvement in the joint operation. In joint ventures, the parties have rights to the net assets of the arrangement, and the investment is accounted for using the equity method. The option of proportionate consolidation for joint ventures has been removed.

Application of this amendment had no impact on the Group's consolidated financial statements because the Group does not exercise joint control over any company within its scope of consolidation.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 sets out the information to be disclosed concerning investments in subsidiaries, associates, joint ventures and non-consolidated structured entities.

Application of this standard by the Group had no impact on its consolidated financial statements.

IAS 27 (Amendment) "Separate Financial Statements"

The requirements previously stipulated in IAS 27 regarding the preparation of consolidated financial statements are now established in the new IFRS 10. Therefore, the scope of application of IAS 27 is limited to accounting for investments in subsidiaries, joint ventures and associates in the separate IFRS financial statements of the investment entity, which is unchanged. The standard requires an entity that draws up separate financial statements to recognise these investments at cost or pursuant to IFRS 9.

This amendment did not have any impact on the Group's consolidated financial statements.

IAS 28 (Amendment) "Investments in Associates and Joint Ventures"

IAS 28 has been updated to include references to joint ventures which, under the new IFRS 11 "Joint Arrangements", must be accounted for using the equity method. Information has also been added concerning the accounting treatment for instruments containing potential voting rights; measurement of investments in associates and joint ventures held by venture capital organisations, mutual funds and similar entities; accounting treatment when the interest in the associate or joint venture is reduced, but the entity continues to apply the equity method; and accounting treatment for the contribution of a non-monetary asset to an associate or joint venture in exchange for an equity interest in the associate or joint venture.

This amendment did not have any impact on the Group's consolidated financial statements.

IAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities"

The amendment clarifies that the right to offset financial assets and liabilities must be available today rather than being contingent on a future event. In addition, the right must be legally enforceable by the counterparties in the transaction both in the normal course of business and in the event of default, insolvency or bankruptcy.

This amendment did not have a material impact on the Group's consolidated financial statements.

IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Provisions (amendments to IFRS 10, IFRS 11 and IFRS 12)"

Its aim is to clarify the transitional provisions of IFRS 10, establishing that the date of first-time application is the first day of the financial year in which this IFRS is applied for the first time. It also makes transitional requirements in connection with IFRS 10, 11 and 12, limiting the requirement of adjustments to comparative information to the preceding comparison year only.

This amendment did not have a material impact on the Group's consolidated financial statements.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) "Investment Entities"

These modifications do not apply to the Group.

IAS 36 (Amendment) "Recoverable Amount Disclosures for Non-Financial Assets"

This introduces a limited-scope amendment to IAS 36 "Impairment of Assets". The amendment requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

This amendment did not have a material impact on the Group's consolidated financial statements.

IAS 39 (Amendment) "Novation of Derivatives and Continuation of Hedge Accounting"

This introduces a one-off exception to the discontinuation of hedge accounting in the event of novation of a derivative used as a hedging instrument and replacement of a counterparty with a central counterparty as a result of laws or regulations.

This amendment does not apply to the Group.

b) Standards, amendments and interpretations in issue but not effective that may be adopted early for annual periods beginning on or after 1 January 2014 (IAS 8.29)

At the date of preparation of these consolidated financial statements, the IASB and IFRS Interpretations Committee (IFRIC) had issued the following standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2015. The Group has elected not to adopt them prematurely.

IFRIC 21 "Levies"

This interpretation addresses the accounting for levies imposed by governments that are not income taxes, fines or other penalties for breaches of the law.

This new interpretation is not expected to have a material impact on the Group's consolidated financial statements.

Annual IFRS Improvements 2011-2013 Cycle

In December 2013 the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle. The amendments are effective for annual periods beginning on or after 1 January 2015, although entities are permitted to apply them earlier. The main amendments are:

- IFRS 3 "Business Combinations": Scope exceptions for joint ventures.
- IFRS 13 "Fair Value Measurement": Scope of the "portfolio exception" in IFRS 13.
- IAS 40 "Investment Property": Interrelationship of IAS 40 and IFRS 3 when classifying property as investment property or owner-occupied property.

Annual IFRS Improvements, 2010 – 2012

In December 2013 the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle. The amendments are effective for annual periods beginning on or after 1 February 2015, although entities are permitted to apply them earlier. The main amendments are:

- IFRS 2 "Share-Based Payment": Definition of "vesting conditions".
- IFRS 3 "Business Combinations": Accounting for a contingent consideration in a business combination.

- IFRS 8 "Operating Segments": Information to be disclosed concerning the aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets.
- IFRS 13 "Fair Value Measurement": References to the capacity for measurement of short-term receivables and payables at nominal value when the impact of discount is not material.
- IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Proportionate restatement of accumulated depreciation when using the revaluation model.
- IAS 24 "Related-Party Disclosures": Entities providing key management personnel services in the capacity of a related party.

IAS 19 (Amendment) "Employee Benefits: Employee contributions"

IAS 19 (as revised in 2011) distinguishes between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions linked to service that vary according to the length of service must be spread over the service period using the same attribution method that is applied to the benefits. The amendment is effective for annual periods beginning on or after 1 February 2015 and retrospective application is required. Early adoption is permitted.

The Group is analysing the potential effects of these amendments on its consolidated financial statements.

c) Standards, amendments and interpretations of existing standards which cannot be adopted early or have not been endorsed by the European Union

At the date of authorisation for issue of these consolidated financial statements, the IASB and IFRIC had issued the following standards, amendments and interpretations, which have yet to be endorsed by the European Union.

IFRS 14 "Regulatory Deferral Accounts"

This is an interim standard addressing the accounting treatment of certain balances arising from activities subject to regulated tariffs. It applies only to entities adopting IFRS 1 for the first time, and enables them to continue to recognise amounts in connection with tariff regulation pursuant to accounting policies prior to adoption of the IFRS.

The standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 11 (Amendment) "Accounting for Acquisitions of Interests in Joint Operations"

Thisamendment applies the accounting principles of a business combination to an investor acquiring an interest in a joint operation that constitutes a business.

The amendment is not expected to have a material impact on the Group's consolidated financial statements.

IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortisation"

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014 the IASB and FASB jointly issued a converging standard in connection with the recognition of revenue from contracts with customers. The standard establishes that revenue is recognised when a customer obtains control of the good or service sold, i.e. when it has both the capacity to direct utilisation and obtain benefits from the good or service. This IFRS contains a new guideline to determine whether revenue should be recognised over time or at a certain point. IFRS 15 requires extensive information on revenue recognised and also on revenue that is expected to be recognised in the future in connection with existing contracts. It also requires quantitative and qualitative information concerning significant judgments used by management to determine the revenue recognised, and also concerning any changes to these judgments. IFRS 15 will apply for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

The Group is assessing the impact of the standard on its consolidated financial statements if it is adopted by the EU.

IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Bearer plants"

The Group does not have any assets in this category at the present time.

IFRS 9 "Financial Instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was published in July 2014, replacing the IAS 39 guideline to the classification and measurement of financial instruments. IFRS 9 maintains a simplified format of the combined measurement model, and establishes three main measurement categories for financial assets: amortised cost, at fair value through profit or loss, and at fair value through other comprehensive income. The classification basis depends on the entity's business model and the characteristics of the financial asset's contractual cash flows. Investments in equity instruments must be measured at fair value through profit or loss, with the irrevocable option of presenting changes to fair value through other comprehensive non-recyclable income, provided the instrument is not held for trading. IFRS9 introduces a new impairment loss model, the expected loss model, which replaces the impairment loss model in IAS 39 and will entail timely recognition of losses, as the practice was in IAS 39. IFRS 9 relaxes the requirements for effectiveness of hedges. Under IAS 39, a hedge must be highly effective, both prospectively and retrospectively. IFRS 9 requires an economic relationship between the hedged item and the hedging instrument, and for the hedged ratio to be the same as that used by the entity for risk management purposes.

IFRS 9 applies for annual periods beginning on or after 1 January 2018. Earlier application is permitted. It will be applied retrospectively, albeit with no requirement to restate the comparative figures.

The Group is assessing the impact of the standard on its consolidated financial statements if it is adopted by the EU.

IAS 27 (Amendment) "Equity method in separate financial statements"

IAS 27 is amended to restore the option of using the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

The amendment is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associate or joint venture"

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or a joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not match the definition of a business, the investor recognises the gain or the loss to the extent of the interests of other investors.

The amendment is not expected to have a material impact on the Group's consolidated financial statements.

(In thousands of Euros)

Planned Improvements 2012-2014

The amendments concern IFRS 5, IFRS 7, IAS 19 and IAS 34, and will apply to financial years beginning on or after 1 July 2016, if they are adopted by the EU. The main amendments are:

- IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations": Changes to disposal methods.
- IFRS 7 "Financial Instruments: Disclosures": Continued involvement in administration contracts.
- IAS 19 "Employee Benefits": Determination of the discount rate in post-employment remuneration commitments.
- IAS 34 "Interim Financial Reporting": Information disclosed elsewhere in the interim financial report.

The Group is assessing the potential impact of the amendments on its consolidated financial statements if they are adopted by the EU.

IAS 1 (Amendment) "Presentation of Financial Statements"

Amendments to IAS 1 encourage entities to apply professional criteria in determining the information to be disclosed in financial statements.

The amendment is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment Entities: Applying the Consolidation Exception"

These amendments clarify three aspects concerning application of the obligation of investment entities to measure subsidiaries at fair value instead of consolidating them.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.2 Comparison of information

Some amounts in 2013 were reclassified in these consolidated financial statements to make them comparable to amounts shown for the current year. The reclassification was as follows:

	Thousands of euros	
	Debit	(Credit)
Impairment of receivables (Note 10)	3,158	
Provision of guarantees (Note 21)		(3,158)

The sum of 2,898 thousand euros at 31 December 2012 was also reclassified in these consolidated financial statements in order to present a comparison of movements in short-term provisions and movements of impairment of receivables in 2013 (Notes 10 and 21).

2.3 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group may choose to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in the loss of control are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

c) Disposals of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

e) Joint arrangements

Investments in joint arrangements pursuant to IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group does not exercise joint control over any company within its scope of consolidation.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors and the Delegate Committee.

2.5 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement with "Exchange differences (net)".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except in the case of land, which is presented net of impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(In thousands of Euros)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years of estimated useful life
Buildings	30 - 50
Technical facilities and machinery	10 - 30
Other facilities, equipment and furniture	10
Other property, plant and equipment	6 - 15

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains - net" (Note 26).

When revalued assets are sold, the sums in other reserves are transferred to voluntary reserves.

2.7 Costs of interest

The costs of any general and specific interest directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily require a substantial period of time before they are ready for the intended use, are added to the costs of the assets over the period of time required to complete the asset and make it ready for the intended use. Other costs of interest are expensed.

2.8 Investment property

Investment property includes land and buildings (industrial premises) which are owned and held to earn rentals or for capital appreciation, and are not occupied by Group companies. Items are carried at acquisition cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight-line method based on the estimated useful life of the assets, which is between 30 and 50 years.

2.9 Intangible assets

a) <u>Emission rights</u>

Emission rights allocated to subsidiaries in accordance with the National Allocation Plan (Act 1/2005 of 9 March) are recognised as an intangible asset. These rights are measured at fair value (i.e. the market value at the time of the allocation), with a credit to "Deferred income".

Emission rights acquired subsequently to comply with the coverage requirements of greenhouse gas emissions produced by the consolidated companies are measured at acquisition cost.

The deferred income is credited to profit or loss ("Other income") as the emissions related to emission rights received freely are expensed.

Costs arising from the emission of greenhouse gases are recorded in accordance with the use of the emission rights allocated or acquired as the gases are emitted during the production process, with a credit to the related provision account.

Emission rights recognised as intangible assets are cancelled as a balancing entry of the provision for the costs arising from the emissions produced when they are delivered to the Government to settle the obligations assumed.

b) Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Costs related to developing or maintaining computer software programmes are recognised as an expense when they are incurred. Costs that are directly related to the production of unique identifiable computer software controlled by the Group likely to generate economic benefits exceeding the costs over more than one year are booked as intangible assets. Direct costs include outlays on personnel developing the software and a suitable percentage of general expenditure.

Software purchased from third parties or in-house software recognised as assets is amortised over its estimated useful live (4 to 8 years).

c) Research and development costs

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new or product upgrades) are recognised as intangible assets when the project can be properly and individually identified, success of the development is deemed probable taking into account its technical and commercial feasibility, management intends to complete the project and has the technical and financial resources to do so and has the ability to use or sell the asset and generate potential economic benefits, and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production on a straight-line basis over the period in which the asset is expected to generate economic benefits, which does not exceed five years.

Development assets are assessed for impairment in accordance with IAS 36.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.11 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise non-current financial assets, trade and other receivables and other current assets in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date; i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of "Other income" when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "Gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.12.3 Offsetting financial instruments

Financial assets and liabilities are set off and presented as net items in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events, and must be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12.4 Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

The impairment tests for receivables are described in Note 2.15.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group did not designate any derivatives as hedging activities in 2014 or 2013 in accordance with the requirements of IFRS 7. Changes in fair value are recognised in the income statement. Trading derivatives are classified as a current asset or liability.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is mainly determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Obsolete or slow moving items are written down to their realisable value.

2.15 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financing through the discounting of bills of exchange is not written off from "Trade receivables" until the amounts are collected and is reflected as bank financing. Meanwhile, the Group enters into certain arrangements with banks whereby it transfers all the risks and rewards, as well as control, of the receivables. In these cases, the receivables are derecognised when the risks and rewards are transferred to the bank.

In order to hedge certain customer collection risks, collection insurance contracts are arranged that include the risk of default through the payment of insurance premiums.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Current and deferred taxes

The parent files consolidated tax returns with certain group subsidiaries (Note 28).

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. For tax assets arising from investments and R&D&I, the amounts recognised have a balancing entry in deferred income. The amount recorded as a decrease in the expense is accrued over the period during which the items of property, plant and equipment, research costs and investments in R&D&i giving rise to the tax credits are depreciated or amortised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is not able to control the reversal of temporary differences for associates. This is not recognised only when an agreement exists that enables the Group to control reversal of the temporary difference.

Deferred tax assets are booked on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements, provided it is likely that the temporary difference will not reverse in the future and that sufficient tax gains are expected to enable the temporary difference to be used.

Deferred income tax assets and liabilities are offset when, and only when, there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

a) Pension obligations

Some Group companies operate pension plans, all of which are defined benefit plans funded through payments to external Voluntary Social Welfare Entities (EPSVs). Plan members are employees of Tubos Reunidos, S.A., Tubos Reunidos Industrial, S.L. (Sociedad Unipersonal) and Productos Tubulares, S.A. (Sociedad Unipersonal) who joined the scheme voluntarily. There were 1,498 members in 2014 and 1,481 members in 2013.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The entity assumes no risk during the capitalisation of contributions, nor does it guarantee a minimum rate of interest to plan members.

The contributions are recognised as employee benefit expense when they are due.

b) Post-employment obligations

Post-employment benefits are employee benefits that are payable after the completion of employment. Post-employment benefits, including those covered by internal or external pension funds, are classified as defined contribution plans or defined benefit plans based on the terms and conditions of those obligations, taking into account all commitments made, whether within or outside the terms formally agreed with employees.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets and adjustments of unrecognised past service cost. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits at the former date: a) when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without any possibility of withdrawal; or b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Variable remuneration schemes

The Group recognises a liability and an expense in certain companies for variable remuneration based on formulas that take into consideration business trends and results. The Group recognises a provision where contractually, or for any other reason, obliged to pay this remuneration.

2.22 Provisions

Provisions for specific liabilities and charges are recognised when:

(i) the Group has a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources will be required to settle the obligation; and

(iii) the amount may be reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received, and represents the sums to be collected for the goods sold, net of discounts, returns and VAT. Revenue is recognised when it can be reliably measured, it is likely that the entity will receive future economic benefit and when certain conditions have been met by each of the Group's areas of business, described below. The Group bases its estimated returns on past results, on the criteria of type of customer, type of transaction and the specific circumstances of each agreement.

a) Sales of goods

Sales of goods are recognised when a Group entity has transferred the significant risks and rewards of ownership to the buyer and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

b) Sales of services

Revenue from sales of services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

c) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised when the cash is collected or on a cost-recovery bases as conditions warrant.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 Leases

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Distribution of dividends

Dividend distribution to shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the General Meeting of Shareholders and/or the parent's Board of Directors.

2.26 Environment

Costs incurred from business activities designed to protect or improvement the environment are recognised in the period in which they are incurred. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

Costs arising from the emission of greenhouse gases (Act 1/2005 of 9 March) are measured at fair value or the cost of the rights granted or acquired and recognised as the gases are emitted during the production process, with a credit to the related provision account.

3. Financial risk management

3.1 Financial risk factors

Group business is exposed to a number of financial risks: market risk, credit risk, liquidity risk and the risk of changes in the prices of raw materials. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance departments of each company under the supervision and coordination of the Group's Finance Division and in accordance with policies approved by the Board of Directors. The operating units of the various companies identify, evaluate and hedge financial risks in close co-operation with the Group's General Management.

a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from transactions in foreign currency, primarily with respect to the US dollar. Foreign exchange risk arises mainly from future commercial transactions and recognised assets and liabilities.

Foreign exchange risk arises when future commercial transactions or the assets and liabilities recognised are denominated in a currency other than the functional currency of the entity carrying out the transaction. Management has established a policy to manage the exchange risk of foreign currencies against the functional currency. Foreign exchange risk mainly arises from sales in US dollars, which in 2014 amounted to 200 million euros (119 million euros in 2013), and purchases of raw materials and other items, which in 2014 accounted for expenditure of 44 million euros (23 million euros in 2013).

The Group uses derivative financial instruments (currency insurance) to hedge or mitigate the risk of currency fluctuations with respect to the operations described.

In 2014 these contracts amounted to 199 million US dollars (USD) (79 million US dollars in 2013). The Group's currency forward contracts at 31 December 2014 are detailed in Note 9.

With a 5% appreciation/depreciation against the US dollar at 31 December 2014, *ceteris paribus*, profit for the year would have increased/decreased by 1,414 thousand euros (2013: 720 thousand euros), mainly due to exchange gains/(losses) on the translation to euros of trade receivables denominated in US dollars.

The Group does not consider its exposure to exchange rate fluctuations concerning net investments abroad as a material risk because, although its net assets at these companies totalled 51 million euros at 31 December 2014, they are financed by liabilities in foreign currency and the equity of the companies is insignificant.

(ii) Interest rate risk on borrowings

The Group's interest rate risk arises from borrowings. Loans issued at variable rates expose the Group to interest rate risk on cash flows. In 2014 and 2013, Group loans at variable rates were denominated in monetary units and in euros. The Group's policy is still to monitor these on a permanent basis, in addition to the hypothetical impact of changes in interest rates on the Group's financial statements.

Sensitivity of the financial statements to changes in interest rates is limited to the direct impact of changes in interest rates on interest-bearing financial assets and financial liabilities recognised on the balance sheet. The sensitivity of the Group's income statement to a 0.5 percentage point change in interest rates leads to an increase/decrease of around 15% (2013: 12.5%) in current costs and approximately 9% in finance costs in 2014 (2013: 9%).

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and credit institutions, and from exposure to credit with wholesale and retail customers, including trade receivables and agreed transactions. In the case of banks and credit institutions only classified portions are accepted, in accordance with independent valuations with a minimum range of "A", and hence credit risk arising from amounts of cash, financial assets and deposits is considered low in view of the credit quality of the institutions with which the Group operates.

For risk from sales, the Group has policies in place to ensure that credit risk is hedged and collection ensured for practically all sales carried out.

All Group customers have a related risk classification. Upon receipt of an order, customer solvency is assessed and risk coverage is requested from the insurance company. For the seamless steel tubes and automotive segments, the insurance contract is arranged with Compañía Española de Seguro de Crédito a la Exportación (CESCE). For the distribution segment, cover is arranged with CESCE and Crédito y Caución.

Before an order is accepted, the related credit risk must be covered by CESCE or Crédito y Caución. If not, the order is suspended until another type of risk cover can be obtained, such as: customer guarantees (e.g. confirmed letter of credit, reverse factoring etc.), non-recourse bank discounting (factoring/forfaiting) and, as a final resort, payment in advance. The Group also assigns part of its receivables to financial institutions without recourse. Therefore, as it transfers significantly the related risks and rewards, it writes off the amount transferred from the trade receivable. At 31 December 2014 the Group had written off 21,871 thousand euros in respect of several non-recourse factoring contracts (2013: 3,840 thousand euros). The limit on these contracts is 25.9 million euros (18 million euros at 31 December 2013.

In the seamless steel tube segment, 79% of sales were insured by CESCE (2013: 84%), while 6% were covered by customer guarantees through letters of credit (2013: 10%), 9% by non-recourse factoring contracts arranged with financial institutions (2013: 3%), 4% by advance payments (2013: 3%), and different methods were used to collect the remaining 2% (2013: 0%).

In the distribution segment, coverage by CESCE accounted for 93% of total sales during the period (2013: 87% with CESCE and Crédito y Caución). 5% of the remaining sales in this segment were covered by customer guarantees through letters of credit, while 2% were covered by advance payments (2013: 3%).

As a result, there is no significant concentration of credit risk in the Group, since credit risk is determined mainly by the uncovered percentage in event of insolvency agreed with each insurance company. With CESCE, 90% of commercial risk and 99% of political risk is covered. With Crédito y Caución, 80% of commercial risk is covered.

Potential non-payment must be notified to CESCE within 90 days and Crédito y Caución within 60 days. During this period, the Group negotiates collectability of past-due amounts. If no satisfactory payment agreement is reached, it reports the payment default to the insurance company and recognises a bad debt provision for the portion of debt not covered.

c) Liquidity risk

Prudent management of liquidity entails maintaining enough cash and marketable securities and available financing through sufficient committed credit facilities and being able to unwind market positions.

In view of the dynamic nature of the business of Group companies, the objective of the finance departments of each, under the coordination of the Group's Finance Division, is to maintain flexibility in funding through the availability of committed credit lines. Moreover, in certain situations, the Group uses liquidity financial instruments (non-recourse factoring, which transfers the risks and rewards of the receivables) to maintain the liquidity levels and working capital structure required in its activity plans.

(In thousands of Euros)

The liquidity risk of the business is adequately managed through tight control over working capital (current assets less current liabilities), the absence of an excessive concentration of risk in any single financial institution and permanent monitoring of gearing ratios and cash flow generation.

Management monitors the Group's liquidity buffer forecasts based on expected cash flows. The liquidity buffer includes undrawn credit facilities (Notes 19 and 13), cash and cash equivalents (Notes 12 and 13) and current financial assets (Notes 8 and 13).

The liquidity buffer at 31 December 2014 and 2013 was as follows:

	2014	2013
Liquidity buffer		
Cash and cash equivalents	18,293	15,252
Other current financial assets	6,171	10,546
Undrawn credit facilities	65,666	55,027
Liquidity buffer	90,130	80,825
Net financial debt		
Bank borrowings	196,076	207,622
Cash and cash equivalents	(18,293)	(15,252)
Other current financial assets	(6,171)	(10,546)
Net financial debt	171,612	181,824

As borrowings include long-term debts on the balance sheet amounting to 156 million euros (2013: 169 million euros) and considering the Group's ability to generate cash flows, the Group does not expect to have any liquidity problems.

The table below analyses the Group's non-current financial liabilities, grouped by maturities, which will be settled in accordance with the remaining periods at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (included interest payable in the case of bank borrowings).

	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2014			
Bank borrowings	33,624	104,231	22,454
Payables	6,708	13,008	11,254
At 31 December 2013			
Bank borrowings	64,429	96,635	13,063
Payables	5,439	15,464	13,898

Liquidity management controlled by the finance departments of each of the companies in the Group, coordinated by the Group Financial Management, does not envisage any liquidity problems that cannot be covered by the Group's current or future financial resources.

d) Risk of changes in the prices of raw materials

The Group hedges against the risk of changes in the prices of raw materials, basically steel scrap, through diversification of markets and suppliers, permanent and specific monitoring of supply and demand, and control of inventory volumes.

Scrap is not a quoted commodity, and has a globally uniform market price. 1.20 kg of scrap is consumed for each kg of tube sold, at an average purchase price in 2014 of 264 euros/tn (2013: 278 euros/tn), at a ratio of 23.1% over the selling price (2013: 22.7%).

In 2014 the price ranged between a maximum of 285.9 euros/tn and a minimum of 241.0 euros/tn (2013: 304.5 euros/tn and 256.5 euros/tn). Fluctuations in the price of scrap are passed on to customers as far as possible.

A 1% change to the purchase price of scrap would have an impact of 0.23% (2013: 0.22%) on the selling price, and an impact of 715 thousand euros (2013: 625 thousand euros) on the consolidated income statement.

3.2 Derivatives and hedge accounting

The Group only has foreign exchange derivatives. It does not apply hedge accounting to these as they do not quality for hedge accounting under IFRS-EU.

The derivatives are initially recognised at fair value on the date the instrument is entered into and subsequently re-measured at their fair value.

Changes in fair value of derivatives that no longer qualify for hedge accounting are recognised immediately in the income statement.

(In thousands of Euros)

3.3 Fair value estimation

The table below contains an analysis of financial instruments that are measured at fair value, classified by valuation methods. The levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013 and 2014:

2014

	Level 1	Level 2	Level 3	Total at 31/12/2014
ASSETS				
Financial assets at fair value through profit or loss:				
- Derivatives	-	-	-	-
TOTAL ASSETS AT FAIR VALUE	-	-	-	-
LIABILITIES				
Financial liabilities at fair value through profit or loss:				
- Derivatives	-	2,715	-	2,715
TOTAL LIABILITIES AT FAIR VALUE	-	2,715	-	2,715

2013

	Level 1	Level 2	Level 3	Total at 31/12/2013
ASSETS				
Financial assets at fair value through profit or loss:				
- Derivatives	-	957	-	957
TOTAL ASSETS AT FAIR VALUE	-	957	-	957
LIABILITIES				
Financial liabilities at fair value through profit or loss:				
- Derivatives	-	-	-	-
TOTAL LIABILITIES AT FAIR VALUE	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Group companies use a variety of methods, such as estimated discounted cash flows, and make assumptions based on market conditions prevailing at each balance sheet date. These methods include quoted market prices or prices set by financial intermediaries for similar instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on estimated interest rate curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date. The carrying amount of trade receivables and payables are assumed to approximate their fair value. For the purposes of presentation of the financial information, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

If all significant inputs required to measure a financial instrument at fair value are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. To do so, it attempts to main an optimal capital structured to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents and other current financial assets. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

(In thousands of Euros)

The Group strategy in 2014, unchanged since 2106, was to maintain the gearing ratio at around 45%. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014	2013
Total borrowings and other liabilities (*)	226,081	239,278
Less: Cash and cash equivalents and other current financial assets	(24,464)	(25,798)
Net debt	201,617	213,480
Total equity	260,936	246,037
Total capital	462,553	459,517
Gearing ratio	43.59%	46.46%

(*) "Total borrowings and other liabilities" include long-term and short-term borrowings, suppliers of assets, finance lease creditors and debts with official bodies in respect of loans at preferential rates.

4. Accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1. Profit tax and deferred tax assets

Given the tax legislation applicable to certain Group companies, there are certain calculations for which the ultimate tax termination is uncertain. Tax is calculated on the basis of the best estimates drawn up by Management in accordance with the situation of tax regulations and in due consideration of foreseeable developments in the regulations (Note 28). Where the final tax outcome is different from the amounts initially recorded, such differences will impact the income taxes in the period in which such determination is made.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or the use of certain deductions subject to different interpretations from the regulations applicable.

Deferred tax assets are recognised for all deductible temporary differences, tax losses pending offsetting and deductions pending application in respect of which it is likely the Company and/or the tax group to which it belongs has future tax gains that enable the deferred tax assets to be applied. In order to determine the amount of deferred tax assets that can be recognised, the Directors of the Parent carried out an analysis of the recoverability of tax credits in the balance sheet on the criterion of the tax bases estimated by the Group's strategic plan, considering an estimate period of 10 years and the limitations on use of the tax credits, pursuant to current tax legislation. The plan justifies to a reasonable extent the recoverability of the tax credits capitalised (Note 20).

2. Employee benefits

Calculation of the liability recognised in the balance sheet for the Group's defined benefit plans requires the use of a number of assumptions and estimates. The Group estimates the provision necessary to comply with its commitments to employees at the end of each reporting period. Any changes in these assumptions and estimates could result in different amounts.

The estimates and assumptions are re-assessed at the end of each reporting period and adjusted to the new best estimates (Note 21).

3. Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property and equipment. Shorter/longer useful lives than previously estimated will increase/reduce the depreciation charge, while obsolete or non-strategic assets abandoned or sold will be written off or derecognised.

In 2013, on the basis of the new useful life estimate for certain property, plant and equipment arising from the development and manufacture of new products by a Group subsidiary borne out by an internal technical survey, the useful life of certain facilities and machinery was increased from 15 to 20-30 years. The new estimate was carried out as the result of the Investment Plan approved as part of the Group's Strategic Plan to develop new types of steel and products and new manufacturing processes. The plan featured an analysis of the useful life of assets concerned by the Plan. For certain items, a survey was conducted of the capacity to meet future manufacturing requirements for special steels and new products determining the available useful life. The results of the survey produced this new estimate of useful lives. The gross value of these assets at 31 December 2014 and 2013 amounted to approximately 20 million euros. The effect of this change in estimate for 2013 and beyond is a decrease in the annual depreciation charge of approximately 1 million.

4.2 Critical judgments in applying the entity's accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 2 relate to:

- Estimate of the number of people opting for the workforce reduction plan described in Notes 2.21 and 21.
- Estimate of provisions regarding probable or certain claims or ongoing litigation, or liabilities arising from the Group's activity as described in Notes 2.22 and 21.
- Management considers the Group has *de facto* control over a number of companies listed in Note 1, where it holds 50% of the shares. The Group is the majority shareholder of these companies, and in the past no other shareholders have formed a group to exercise their votes together. There is a majority of directors representing the Group on the Boards of these companies. The Group controls a company when it is exposed or is entitled to obtain variable earnings in respect of its interests in the investee and is able to use its power over it to influence earnings. The Group has appointed the senior executives of these companies, who in turn are responsible for their operational and financial activities, for drawing up budgets and for research into new products etc.
- Estimate of scrap density for the physical inventory in the materials calculation process.

5. Segment information

The Board of Directors and Delegate Committee are the Group's chief operating decision-makers. These bodies review the Group's internal information for the purposes of assessing performance and allocating resources to the segments.

Management has determined the operating segments based on the structure of reports examined by these governing bodies.

These bodies consider the Group's business from both a geographic and product perspective. Operations are analysed from the perspective of three basic product types or families:

a) Seamless tubes
b) Distribution
c) Automotive

All other products and activities (mainly the manufacture of pressure vessels for boilers and isometric equipment) are analysed by the decision-making bodies under "Other".

(In thousands of Euros)

Although none of these activities meet the quantitative thresholds required by IFRS 8 to be considered a reportable segment, they are presented as an additional segment since they are analysed this way by the governing bodies.

The governing bodies assess the performance of the operating segments based mainly on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure or expenses resulting from isolated, atypical operations. Segment information received by these bodies includes finance income and finance costs, and tax aspects, although the latter are analysed jointly at Group level.

a) Segment information

Segment results for the year ended 31 December 2014 are as follows:

	Seamless tubes	Distribution	Automotive	Other	Group
Total gross segment revenue	396,510	31,500	62,146	-	490,156
Inter-segment revenue	(68,624)	(1,647)	(11,933)	-	(82,204)
Revenue	327,886	29,853	50,213	-	407,952
EBITDA	36,705	261	4,387	20	41,373
Operating profit/(loss)	14,684	(445)	753	20	15,012
Net finance costs	(8,889)	(258)	336	-	(8,811)
Share of profit/(loss) of associates	(16)	-	-	-	(16)
Profit/(loss) before tax	5,779	(703)	1,089	20	6,185
Income tax expense	1,242	369	(345)	-	1,266
Non-controlling interests	-	-	(372)	-	(372)
Profit/(loss) for the year	7,021	(334)	372	20	7,079

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(In thousands of Euros)

Segment results for the year ended 31 December 2013 are as follows:

	Seamless tubes	Distribution	Automotive	Other	Group
Total gross segment revenue	342,714	29,757	48,991	3	421,465
Inter-segment revenue	(59,044)	(2,591)	(9,379)	-	(71,014)
Revenue	283,670	27,166	39,612	3	350,451
EBITDA	37,851	1,105	3,432	(151)	42,237
Operating profit/(loss)	17,211	340	151	(151)	17,551
Net finance costs	(9,699)	(809)	(917)	-	(11,425)
Share of profit/(loss) of associates	(4)	-	-	-	(4)
Profit/(loss) before tax	7,508	(469)	(766)	(151)	6,122
Income tax expense	227	-	(178)	-	49
Non-controlling interests	-	-	472	-	472
Profit/(loss) for the year	7,735	(469)	(472)	(151)	6,643

Other profit and loss disclosures:

	2014					2013				
	Seamless tubes	Distribution	Automotive	Other	Group	Seamless tubes	Distribution	Automotive	Other	Group
Depreciation of property, plant and equipment (Note 6)	20,046	402	3,159	-	23,607	19,735	435	2,904	-	23,074
Amortisation of intangible assets (Note 7)	1,963	304	475	-	2,742	893	330	377	-	1,600
Provision/(reversal) for impairment of fixed assets	-	-	-	-	-	-	-	-	-	-
Depreciation of investment property	12	-	-	-	12	12	-	-	-	12
Provision/(reversal) for impairment of inventories (Note 11)	(37)	(3,704)	-	-	(3,741)	1,155	(1,719)	(15)	-	(579)
Impairment loss (net) of trade receivables (Notes 10 and 21)	1,809	(1,339)	(146)	-	324	132	(1,041)	164	-	(745)

(In thousands of Euros)

Inter-segment transactions are carried out on an arm's length basis.

Segment assets and liabilities at 31 December 2014 and capital expenditure in the year then ended are as follows:

	Seamless tubes	Distribution	Automotive	Other	(*) Consolidation adjustments	Group
Assets	688,651	41,164	63,085	142	(135,489)	657,553
Associates	31	-	-	-	-	31
Assets held for sale	4,599	-	-	-	-	4,599
Total assets	693,281	41,164	63,085	142	(135,489)	662,183
Liabilities	449,060	17,483	40,080	-	(105,376)	401,247
Capital expenditure (Notes 6 and 7)	27,921	102	4,750	-	-	32,773

(*) Consolidation adjustments relate mainly to eliminations of loans and commercial balances among Group companies.

Segment assets and liabilities at 31 December 2013 and capital expenditure in the year then ended are as follows:

	Seamless tubes	Distribution	Automotive	Other	(*) Consolidation adjustments	Group
Assets	664,407	36,410	56,545	162	(128,714)	628,810
Associates	47	-	-	-	-	47
Assets held for sale	4,836	-	-	-	-	4,836
Total assets	669,290	36,410	56,545	162	(128,714)	633,693
Liabilities	438,456	14,610	34,443	43	(99,896)	387,656
Capital expenditure (Notes 6 and 7)	44,864	38	2,998	-	-	47,900

(*) Consolidation adjustments relate mainly to eliminations of loans and commercial balances among Group companies.

The information provided in this Note covers all the assets (except investments in subsidiaries eliminated in consolidation) and liabilities of each segment according to the balance sheets of each Group company included in each segment.

(In thousands of Euros)

b) Information on geographical areas and customers

The Group's four business segments operate mainly in three geographical areas, although they are managed globally.

Spain is the Company's home country and where the Group's main operating companies are headquartered.

The allocation of Group revenue by country of the customer is mainly in the following markets:

	2014	2013
Revenue		
Spain	68,816	78,193
Other EU	110,510	102,629
ROW	228,626	169,629
Total revenue	407,952	350,451

The breakdown of the Group's assets by country is as follows:

	2014	2013
Total assets		
Spain	610,954	589,793
Other EU	-	-
ROW	51,229	43,900
Total assets	662,183	633,693

Investments in associates (Note 8) are included in the Spain segment.

Virtually all investments in property, plant and equipment and other intangible assets were made in plants in Spain (Note 1).

No single customer represents more than 10% of the Group's total ordinary revenue.

(In thousands of Euros)

6. Property, plant and equipment

Detail and movements in items of "Property, plant and equipment":

2014

	Land and buildings	Technical facilities and machinery	Other facilities, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
COST						
Opening balance	184,934	549,016	26,867	13,962	20,736	795,515
Acquisitions	3,349	15,495	3,754	3,509	1,156	27,263
Disposals	-	(198)	(1,467)	(175)	(139)	(1,979)
Transfers	-	13,622	126	(13,768)	20	-
Closing balance	188,283	577,935	29,280	3,528	21,773	820,799
DEPRECIATION						
Opening balance	52,768	362,684	7,890	-	16,263	439,605
Charges	2,265	20,252	583	-	507	23,607
Disposals	-	(176)	-	-	(12)	(188)
Transfers	-	-	-	-	-	-
Closing balance	55,033	382,760	8,473	-	16,758	463,024
PROVISIONS						
Opening balance	-	706	-	-	-	706
Disposals	-	(106)	-	-	-	(106)
Closing balance	-	600	-	-	-	600
NET VALUE						
Initial	132,166	185,626	18,977	13,962	4,473	355,204
Final	133,250	194,575	20,807	3,528	5,015	357,175

(In thousands of Euros)

2013

	Land and buildings	Technical facilities and machinery	Other facilities, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
COST						
Opening balance	186,942	524,210	24,273	7,364	20,946	763,735
Acquisitions	1,205	23,343	3,990	12,741	1,318	42,597
Disposals	(3,386)	(3,990)	(1,426)	(559)	(1,456)	(10,817)
Transfers	173	5,453	30	(5,584)	(72)	-
Closing balance	184,934	549,016	26,867	13,962	20,736	795,515
DEPRECIATION						
Opening balance	51,139	346,834	7,341	-	17,170	422,484
Charges	2,223	19,812	550	-	489	23,074
Disposals	(594)	(3,983)	(1)	-	(1,375)	(5,953)
Transfers	-	21	-	-	(21)	-
Closing balance	52,768	362,684	7,890	-	16,263	439,605
PROVISIONS						
Opening balance	-	805	-	-	-	805
Disposals	-	(99)	-	-	-	(99)
Closing balance	-	706	-	-	-	706
NET VALUE						
Initial	135,803	176,571	16,932	7,364	3,776	340,446
Final	132,166	185,626	18,977	13,962	4,473	355,204

The main features of investment in 2014 at Tubos Reunidos Industrial (TRI), in addition to technological development of the new degassing and heat treatment facilities, were adaptation of drilling equipment to the growing range of products offered, and a new magnetic particle tube end inspection facility to boost the manufacture of OCTG Premium products. Productos Tubulares (PT) continued to invest in adapting the production process to a wider range of large-diameter tubes in special ultra-high alloy stainless steels.

Investments by the Group in 2013 included the start-up of a degassing facility for the Amurrio steel plant to improve the quality and cleanliness of the steel manufactured and undertake new challenges, and the new induction hardening and tempering line, which will boost treatment capacity of premium tubes. Meanwhile, investments were made to expand the product range at the Galindo plant. The Group carried out work on the main tube manufacturing facilities, reinforced the design and manufacture of tooling and improved steel quality at the steelworks.

Disposals of land and buildings in 2013 included a carrying amount of 2.7 million euros following delivery of certain assets to the provincial government of Álava (*Diputación Foral de Álava*) (Note 13).

a) Revaluations

At 31 December 1996 some Group companies revalued the amounts of their property, plant and equipment at that date in accordance with related legislation (Provincial Government Regulation 4/1997 of 7 February, Provincial Government Regulation 6/1996 of 21 November and Royal Decree 2607/1996 of 20 December), with a net impact of 13.7 million euros, including assets classified as held for sale. Since 31 December 2008, the revalued amounts have been fully depreciated.

b) Property, plant and equipment used as collateral or guarantees

Certain items of property, plant and equipment guarantee loans and deferred payments to institutions totalling 397 thousand euros at 31 December 2014 (2013: 461 thousand euros). The secured debt outstanding at 31 December 2014 was 410 thousand euros (2013: 811 thousand euros).

c) Insurance

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are exposed.

The Group considers that cover is sufficient.

d) Impairment losses

As a result of performance of its seamless tube business, in previous years the Group estimated provision for impairment losses on certain items of property, plant and equipment. At 31 December 2014 provision for these assets stood at 600 thousand euros (2013: 706 thousand euros).

The Group also calculated the recoverable amount of the distribution segment, in due consideration of its value in use. The assumptions used in the Group's impairment tests were as follows:

- A 5-year projection, with residual value calculated as perpetual income for a year containing no cyclical or seasonal information.
- A discount rate (WACC) of 7.5% after tax.
- The real growth rate for terminal value is 1% more than the International Monetary Fund's calculation of long-term inflation.

(In thousands of Euros)

The major parameters for the cash-generating unit are as follows:

- Revenue: an increase of domestic market share and international growth on the strength of major engineering projects and agreements with local partners (average annual sales increase of 21% for the years projected).
- Gross margins. Management has determined gross budget margin on the basis of past earnings and its expectations of market development. The gross margins projected are still in keeping with past margins in the segment.
- Investment in fixed assets: no investment was scheduled for the years projected, with the exception of the last year, which considers investment similar to current depreciation.

No impairment was discovered after the tests had been analysed.

The Group also regularly details independent experts to conduct appraisals of facilities in the distribution segment (21 million euros). In 2014 the valuers Aguirre & Newman and Tinsa performed appraisals of 97% of the total value of facilities in the segment, and no impairment losses were observed (the value of the appraisals exceeded the carrying amount by approximately 3 million euros).

e) Leases

Finance leases

"Machinery" includes the following amounts where the Group is a lessee under a finance lease:

	2014	2013
Cost-capitalised finance lease	2,633	2,633
Accumulated depreciation	(1,388)	(990)
Net carrying amount	1,245	1,643

The lease payments payable under the finance lease are recognised under "Payables" (current and non-current) (Note 18).

(In thousands of Euros)

Operating leases

The lease expenditure charged to the income statement totalled 1,304 thousand euros (2013: 1,272 thousand euros), mostly property leases.

In 2010 the Group sold premises and leased them back to the buyer under an operating lease with a mandatory 10-year term. During this term, the rent (set initially at approximately 39 thousand euros a month) is updated in accordance with changes in the consumer price index (CPI). Payment commitments up to the end of the contract are as follows:

	Thousands of euros	
	2014	2013
No later than one year	503	527
One to five years	2,014	2,014
Later than five years	168	671
	2,685	3,212

7. Intangible assets

Detail and movements in the main items of "Intangible assets" distinguishing between internally-generated and other intangible assets:

2014

	Emission rights	Computer software	Development costs	Franchises, patents and licences	Customer portfolio	Total
COST						
Opening balance	143	6,984	10,082	801	453	18,463
Additions	796	408	4,263	33	10	5,510
Amounts derecognised	(367)	-	-	-	-	(367)
Closing balance	572	7,392	14,345	834	463	23,606
DEPRECIATION						
Opening balance	-	4,038	1,732	620	453	6,843
Charges	-	684	2,008	50	-	2,742
Closing balance	-	4,722	3,740	670	453	9,585
NET VALUE						
Initial	143	2,946	8,350	181	-	11,620
Final	572	2,670	10,605	164	10	14,021

(In thousands of Euros)

2013

	Emission rights	Computer software	Development costs	Franchises, patents and licences	Customer portfolio	Total
COST						
Opening balance	1,152	6,415	4,887	761	497	13,712
Additions	166	530	5,267	40	-	6,003
Amounts derecognised	(1,175)	(5)	(72)	-	-	(1,252)
Transfers	-	44	-	-	(44)	-
Closing balance	143	6,984	10,082	801	453	18,463
AMORTISATION						
Opening balance	-	3,431	791	569	453	5,244
Charges	-	608	941	51	-	1,600
Disposals	-	(1)	-	-	-	(1)
Closing balance	-	4,038	1,732	620	453	6,843
NET VALUE						
Initial	1,152	2,984	4,096	192	44	8,468
Final	143	2,946	8,350	181	-	11,620

The Group's Strategic Investment Plan contains a number of investment packages to manufacture special Premium Products with a greater added value. The current seamless tube development projects are set to increase, with new finished products and steels not previously manufactured by the Group, which will enable it to compete in hitherto inaccessible markets.

The Group is also undertaking projects to produce new automotive parts.

The carrying amount of development expenditure on seamless tube projects at 31 December 2014 stood at 9.4 million euros (7.1 million euros at 31 December 2013). Other assets, in the amount of 1.2 million euros, concerned the manufacture of automotive parts (1.3 million euros at 31 December 2013).

As mentioned in Note 2.9 c), development costs are amortised from the start of commercial production on a straight-line basis over the period in which the asset is expected to generate economic benefits, which does not exceed five years. The benefits generated each year by the projects exceed their amortisation.

(In thousands of Euros)

8. Analysis of financial instruments

8.1 Analysis by categories

The carrying amount of each category of financial instruments established in rules for the recognition and measurement of "Financial instruments" is as follows:

	2014			
	Credits and other	**Available for sale**	**Assets at fair value through profit or loss**	**Total**
Non-current financial assets				
- Investments accounted for using the equity method	-	31	-	31
- Other receivables	186	-	-	186
	186	**31**	-	217
Current financial assets				
- Loans and receivables				
- Current financial investment	6,171			6,171
- Trade and other receivables (Note 10) (*)	68,907	-	-	68,907
- Cash and cash equivalents (Note 12)	18,293	-	-	18,293
	93,371	-	-	**93,371**

	2013			
	Credits and other	**Available for sale**	**Assets at fair value through profit or loss**	**Total**
Non-current financial assets				
- Loans and receivables				
- Non-current financial investment	5,101	-	-	5,101
- Other receivables	136	-	-	136
- Investments accounted for using the equity method	-	47	-	47
	5,237	**47**	**-**	**5,284**
Current financial assets				
- Loans and receivables				
- Current financial investment	9,589	-	-	9,589
- Trade and other receivables (Note 10) (*)	65,904	-	-	65,904
- Derivative financial instruments (Note 9)	-	-	957	957
- Cash and cash equivalents (Note 12)	15,252	-	-	15,252
	90,745	**-**	**957**	**91,702**

(*) This does not include balances receivable from public authorities in the amount of 5,700 thousand euros (10,068 thousand euros at 31 December 2013).

(In thousands of Euros)

Current and non-current financial investments chiefly consist of time deposits and reverse repurchase agreements with fixed income securities. The average return on these investments in 2014 was 2.95% (2013: 3.82%).

Maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

	2014		2013	
	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost
Non-current financial assets:				
- Loans received (Note 19)	-	155,640	-	169,054
- Finance lease liabilities (Note 18)	-	571	-	1,096
- Derivative financial instruments (Note 9)	-	-	-	-
- Trade and other payables (Note 18)	-	29,496	-	32,692
	-	185,707	-	202,842

	2014			2013		
	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Current financial assets:						
- Loans received (Note 19)	-	40,436	40,436	-	38,568	38,568
- Finance lease liabilities (Note 18)	-	525	525	-	549	549
- Derivative financial instruments (Note 10)	2,715	-	2,715	-	-	-
- Trade and other payables (Note 18) (**)	-	121,094	121,094	-	86,832	86,832
	2,715	**162,055**	**164,770**	**-**	**125,949**	**125,949**

(**) This does not include balances receivable from public authorities in the amount of 4,923 thousand euros (3,849 thousand euros at 31 December 2013).

(In thousands of Euros)

8.2. Credit quality of financial assets

Financial assets relate mainly to deposits with and issues of high-quality Spanish financial institutions, whose assets are deposited with renowned Spanish and international entities. No impairment losses were recognised on these assets in 2014 and 2013.

The credit quality of other financial assets, chiefly trade receivables, is set out in Notes 3.1.b) and 10.

9. Derivative financial instruments

"Derivative financial instruments" includes currency hedge contracts on foreign-currency transactions:

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts	-	2,715	957	-
	-	2,715	957	-

At 31 December 2014 there were forward foreign exchange contracts for transactions carried out or highly probable for a total amount of 77.3 million US dollars (USD), 0.7 million pound sterling (GBP), 0.4 million Australian dollars (AUD) and 0.2 million Canadian dollars (2013: 24.9 million USD, 0.2 million GBP and 0.1 million AUD), all maturing in 2015 (outstanding transactions at 31 December 2013 all matured in 2014).

10. Trade and other receivables

	2014	2013
Trade receivables	70,525	67,677
Less: Impairment of receivables	(2,035)	(5,149)
Trade receivables, net	68,490	62,528
Other receivables (employees and other debts)	417	3,376
Total	68,907	65,904

Receivables are shown at nominal amount, which does not differ from fair value based on discounted cash flows at market rates.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers distributed across the world (Note 5).

In addition to the non-recourse factoring transactions described in Note 3.1 b), at 31 December 2014 trade and other receivables discounted in financial institutions amounted to 1,724 thousand euros (2013: 1,225 thousand euros), accounted for as a bank loan (Note 19).

(In thousands of Euros)

The Group manages credit risk by classifying the risk of each customer and arranging insurance for collection of amounts invoiced to customers with CESCE and Crédito y Caución in accordance with the criteria and percentages of cover shown in Note 3.1.b).

Balances outstanding after maturity but within normal collection periods established with customers (between 30 and 120 days) are not considered past-due. At 31 December 2014, there were no outstanding balances beyond the contractual collection periods or normal payment periods not covered by the impairment analysis.

Impairment of 5 million euros at 31 December 2013 contains receivables provisioned prior to the introduction of the Group's current credit risk policy (Note 3.1.b)).

Unimpaired trade receivables relate to independent customers for whom there is no recent history of default. All trade receivables fall due within 12 months (2013: within 12 months).

At 31 December 2014 impairment was recognised for all receivables, whether due or not, recovery of which was considered doubtful at that date. Impairment was determined based on an estimate of the reasonable loss for each customer less amounts recovery of which is guaranteed by insurance companies.

Details by amounts and items of impairment losses in 2014 and 2013 are as follows:

	Total
At 31 December 2012	**9,588**
Provision/(reversal) (Note 25)	(1,005)
Amounts used	(3,434)
At 31 December 2013	**5,149**
Provision/(reversal) (Note 25)	(1,401)
Amounts used	(1,713)
At 31 December 2014	**2,035**

Impaired receivables are mainly accounted for by balances with specific collection problems identified individually. Based on collection management, the Group expects to recover a high percentage (unspecified at present) of these receivables. The remaining receivables do not include any impaired assets.

The credit quality of unimpaired trade receivables can be considered satisfactory, as in virtually all cases the risks are accepted and covered by credit risk insurance companies and/or banks and financial institutions.

(In thousands of Euros)

Maximum exposure to credit risk at the reporting date is the fair value of each receivable detailed above, considering the aforementioned credit insurance coverage.

Carrying amounts of the Group's foreign currency receivables by currency:

	Thousands of euros	
	2014	2013
US dollar	37,931	17,635
Pound sterling	835	125
Chinese yuan	2,921	1,358
Other currencies	1,053	1,277
	42,740	20,395

The ageing of past-due balances at 31 December 2014 and 2013, disregarding balances already impaired, is as follows:

	2014	2013
Up to 3 months	11,606	11,779
3 to 6 months	451	2,721
	12,057	14,500

The ageing of the provision for bad debts at 31 December 2014 and 2013 from continuing operations is as follows:

	2014	2013
Provision for balances up to 3 months past due	1,356	3,116
Provision for balances more than 3 months past due	679	2,033
	2,035	5,149

(In thousands of Euros)

11. Inventories

	2014	2013
Raw materials and other consumables	47,539	40,833
Work in progress	35,146	25,023
Finished goods	58,133	49,263
Advances to suppliers	56	167
	140,874	115,286

The detail of the cost of inventories recognised as an expense:

	2014	2013
– Purchases	223,991	153,714
– Changes in raw materials and other consumables	(6,706)	8,067
– Changes in provisions for impairment of work in progress and finished goods:	(3,748)	(855)
– Changes in work in progress and finished goods	(15,245)	(1,108)
	198,292	159,818

Purchases in foreign currency were made in 2014 and 2013 amounting to 44 million and 23 million euros, respectively.

Changes in provisions for impairment of inventories, to bring them into line with realisable value:

	Total
At 31 December 2012	**12,975**
Provision((Reversal)	2,469
Amounts used	(3,048)
At 31 December 2013	**12,396**
Provision((Reversal)	(1,417)
Amounts used	(2,324)
At 31 December 2014	**8,655**

Provision charges in 2014 and provisions existing at 31 December 2014 were estimated based on stock rotation statistics and an item-by-item analysis of the Group's inventories considering net recoverable amount of the various inventories affected.

(In thousands of Euros)

Sales in relation to the "tertiary sector" were made in 2014, for which provision of 3 million euros had been made at 31 December 2013. This added net profit of 0.7 million euros to the 2014 income statement.

12. Cash and cash equivalents

	2014	2013
Cash at bank and in hand	18,293	15,252
	18,293	15,252

13. Non-current assets held for sale

Assets classified as held for sale consist of investment property. These assets were classified as held for sale following a decision to sell by the parent's Board of Directors and the active selling process in which the Group is involved.

Investment property and other premises were transferred to the provincial government of Álava in lieu of payment in 2013. Investment property was delivered in the amount of 6,267 thousand euros, along with other properties under "Property, plant and equipment", in the amount of 2,679 thousand euros. This operation was carried out pursuant to an order by the provincial government of Álava following rulings by the European Union Court of Justice claiming reimbursement of certain subsidies received in previous years, and generated a gain in the income statement of 2,871 thousand euros (Note 26). The fair value of the properties delivered in lieu of payment was appraised by an independent expert. The amount of debt cancelled by delivery of the properties was 11,8 million euros, which matches the fair value of the appraisals.

The Group measures investment property at the lower of acquisition cost and fair value less costs to sell. Fair value is estimated based on recent transactions and studies by independent experts. In 2014 the Group detailed the valuer Tinsa to conduct appraisals of the properties, which had accounted for 80% of their value at 31 December 2014. The appraisals did not cause any impairment losses to be recognised in respect of the properties.

Movements during the year corresponded to the sale of two properties, with a value of 237 thousand euros at 31 December 2013. The result of sale of these properties was 53 thousand euros.

(In thousands of Euros)

14. Share capital and premium

	No. of shares (thousand)	Share capital	Share premium	Treasury shares	Total
Balance at 31 December 2012	174,681	17,468	387	(4,613)	13,242
Acquisition of treasury shares	-	-	-	(590)	(590)
Sale of treasury shares	-	-	-	982	982
Balance at 31 December 2013	174,681	17,468	387	(4,221)	13,634
Acquisition of treasury shares	-	-	-	(4,755)	(4,755)
Sale of treasury shares	-	-	-	8,186	8,186
Balance at 31 December 2014	174,681	17,468	387	(790)	17,065

a) Share capital

There were no changes to share capital in 2014 or 2013. Therefore, the total number of ordinary shares amounts to 174,680,888 shares, with a par value of 0.1 euro per share.

Companies with an ownership interest of 10% or more:

	31/12/2014	
Company	**Number of shares**	**% ownership interest**
Grupo BBVA	25,975,018	14.87%
	25,975,018	14.87%

	31/12/2013	
Company	**Number of shares**	**% ownership interest**
Grupo BBVA	40,881,325	23.40%
	40,881,325	23.40%

All the shares of the parent are admitted to trading on the Bilbao and Madrid stock exchanges. Since 1 July 2005, the shares are traded on the "open market" of the stock exchange interconnection system (Sistema de Interconexión Bursátil or "SIBE"). The share price at 31 December 2014 was 1.71 euros (31 December 2013: 1.79 euros).

b) Share premium

The balance of the share premium account is unrestricted.

(In thousands of Euros)

c) Treasury shares

2014

	Number of shares	Amount (thousands of euros)
Opening balance	2,209,796	4,221
Acquisitions	2,082,037	4,755
Revenue	(3,968,333)	(8,186)
Closing balance	323,500	790

Clima S.A. (Sociedad Unipersonal), a wholly-owned company, has a liquidity agreement with Norbolsa, S.V., S.A. to carry out transactions with the Company's ordinary unique shares.

On 8 May 2014, authorisation was given at the General Meeting of Shareholders to acquire treasury shares up to the maximum amount allowed by law. This authorisation is valid for a period of up to five years.

In 2014 the financial intermediary carried out the sale of a block of 1,816,788 shares at the market price of 1.84 euro per share. After this operation, the liquidity agreement's shares and cash accounts were reduced to 300,000 shares and 500,000 euros respectively.

At 31 December 2014 Clima S.A.U., the company maintaining the liquidity agreement, held 323,500 shares worth 790 thousand euros.

2013

	Number of shares	Amount (thousands of euros)
Opening balance	2,408,950	4,613
Acquisitions	344,436	590
Revenue	(543,590)	(982)
Closing balance	2,209,796	4,221

On 30 May 2013, authorisation was given at the General Meeting of Shareholders to acquire treasury shares up to the maximum amount allowed by law. This authorisation is valid for a period of up to five years.

At 31 December 2013 Clima S.A.U., the company maintaining the liquidity agreement, held 2,209,796 shares worth 4,221 thousand euros.

(In thousands of Euros)

15. Other reserves and retained earnings

The detail of "Other reserves and retained earnings" is as follows:

	2014	2013
Other reserves	48,924	48,924
Retained earnings	179,192	176,053
	228,116	224,977

a) Other reserves

Reserve for first-time conversion

"Other reserves" relates to the impact of the first-time conversion of the opening balance sheet at 1 January 2004 and the adoption of IAS 32 and IAS 39 with effect from 1 January 2005.

b) Retained earnings

b.1) Reserves of the parent

At 31 December 2014 and 2013, reserves (excluding issue premium) included in the parent's financial statements are as follows:

	2014	2013
Legal reserve	4,099	4,099
Voluntary reserve	50,005	49,732
	54,104	53,831

Legal reserve

The legal reserve was provisioned in accordance with Section 274 of the Spanish Capital Enterprises Act (*Ley de Sociedades de Capital*), which states that an amount equal to 10% of the profit for the year will in any event be earmarked for the legal reserve until such reserve represents at least 20% of the capital.

The legal reserve cannot be distributed and may be used to offset losses if no other sufficient reserves are available for such purpose, it which it case it must be replaced with future profits.

The legal reserve exceeded the legal limit at 31 December 2014 and 2013.

(In thousands of Euros)

Voluntary reserve

There are no restrictions on the voluntary reserve.

b.2) Other restricted reserves

Other restricted reserves and retained earnings at 31 December 2014 and 2013 relate to:

	2014	2013
Legal reserve of investees	9,898	9,912
Balance sheet revaluation reserve (in accordance with local legislation)	643	643
	10,541	10,555

The legal reserve was provisioned in accordance with Section 274 of the Capital Enterprises Act to offset losses.

c) Proposal for the distribution of results

The proposal for distribution the parent's 2014 profit (based on unconsolidated balances prepared in accordance with the Spanish General Accounting Plan) that will be presented to General Meeting of Shareholders, alongside the approved distribution for 2013, is as follows:

	2014	2013
Basis of distribution		
Profit/(loss) for the year	2,949	3,412
Distribution		
Reserves	940	268
Dividends	2,009	3,144
	2,949	3,412

d) Share options

There were no share-based payment plans including shares of the parent at 31 December 2014 or 2013.

(In thousands of Euros)

16. Non-controlling interests

Movements in "Non-controlling interests" in 2014 and 2013 are as follows:

	2014	2013
Opening balance	10,653	11,228
Profit/(loss) for the year	372	(472)
Changes in consolidation scope	4,900	-
Translation differences	(96)	(103)
Closing balance	15,829	10,653

The breakdown by companies is as follows:

Company/Subgroup	2014	2013
Inauxa (Note 1)	11,398	10,836
EDAI (Note 1)	(469)	(183)
Tubos Reunidos Premium Threads, S.L. (Note 1)	4,900	-
	15,829	10,653

Tubos Reunidos Premium Threads, S.L. was incorporated in 2014 - 51% of share capital was subscribed and paid up by the Group through Tubos Reunidos, S.A. 49% of the capital of Tubos Reunidos Premium Threads, S.L. is held by the external shareholders of this company incorporated in 2014.

17. Deferred income

The detail of this heading is as follows:

	2014	2013
Tax credits arising from investment deductions	11,720	9,617
Other deferred income	749	1,329
	12,469	10,946

The movement in "Tax credits arising from investment deductions" is as follows:

	2014	2013
Opening balance	9,617	7,965
Arising in the year	3,684	2,893
Credit to profit for the year (Note 23)	(1,581)	(822)
Restatement	-	(419)
Closing balance	11,720	9,617

(In thousands of Euros)

Tax assets generated by the Group are recognised and taken to profit and loss in accordance with the criteria described in Note 2.20.

18. Payables

a) Other non-current liabilities

The details of this heading are as follows:

	2014	2013
Finance lease liabilities	571	1,096
Suppliers of fixed assets	1,653	3,922
Public bodies	16,156	16,705
Other payables	11,687	12,065
	30,067	33,788

"Other payables" includes main loans from official bodies at preferential rates amounting to 11.6 million euros (2013: 11.7 million euros) mostly to fund research and development projects.

"Public bodies" at 31 December 2014 and 2013 include long-term amounts payable.

The interest on finance leases in 2014 was 2.91% (2013: 3.57%).

a.1) Leases

Lease liabilities have the following maturities:

	2014	2013
Finance lease liabilities - minimum payments:		
No later than 1 year	554	606
Later than 1 years and no later than 2 years	454	562
Later than 2 years and no later than 5 years	224	650
	1,232	1,818
Future finance charges on finance lease liabilities	(136)	(173)
Present value of finance lease liabilities	1,096	1,645

The present value of future finance lease liabilities is as follows:

	2014	2013
No later than 1 year	525	549
Later than 1 years and no later than 2 years	398	509
Later than 2 years and no later than 5 years	173	587
	1,096	1,645

(In thousands of Euros)

Amounts payable within one year are included in "Suppliers and other payables".

The following table provides a summary of the lease terms of finance leases in force at 31 December 2014 and 2013:

2014

Item	Term	Cost	Value of purchase option	Lease payments made (1)
Machinery	5 years	2,633	47	1,539
		2,633	47	1,539

(1) Includes the finance charge for each payment.

2013

Item	Term	Cost	Value of purchase option	Lease payments made (1)
Machinery	5 years	2,633	47	991
		2,633	47	991

(1) Includes the finance charge for each payment.

The arrangements do not require any specific guarantees other than the solvency of the Company/Group.

a.2) Other non-current liabilities

The maturity schedule of all other non-current liabilities is as follows:

	2014	2013
Later than 1 years and no later than 2 years	6,114	4,971
Later than 2 years and no later than 5 years	12,456	14,451
Later than 5 years	10,926	13,270
	29,496	32,692

(In thousands of Euros)

b) Trade and other payables

The details of this heading are as follows:

	2014	2013
Suppliers	94,597	63,449
Salaries payable	6,204	6,809
Other payables	6,940	4,044
Suppliers of fixed assets	13,878	13,079
	121,619	87,381

"Other payables" mainly consists of balances with public bodies in the amount of 2 million euros (0.1 million euros at 31 December 2013), customer advances in the amount of 2.2 million euros (1.5 million euros at 31 December 2013), the current portion of preferential loans from official bodies in the amount of 1.8 million euros (1.4 million euros at 31 December 2013) and finance lease debt in the amount of 0.5 million euros (0.5 million euros at 31 December 2013).

The fair value of these liabilities (calculated using discounted cash flows) does not differ from their carrying amounts.

"Salaries payable" at 31 December 2014 and 2013 include mainly the December payroll, variable remuneration accrued in the year and other fixed remuneration items established in accordance with the collective labour agreement.

Information on late payments to commercial suppliers, third additional provision. "Duty of disclosure" of Law 15/2010 of 5 July"

The detail of payments to suppliers made and outstanding at 31 December 2013 with respect to the statutory limits set out in Law 15/2010 is as follows:

	Payments made and outstanding at the reporting date			
	2014		2013	
	Thousands of euros	%	Thousands of euros	%
Payments made in the year within the statutory limit	178,507	71%	170,837	70%
Other	72,059	29%	71,849	30%
Total payments in the year	250,566	100%	242,686	100%
Average late payment days	22		26	
Payments outstanding at 31 December beyond the statutory limit	6,948		5,208	

(In thousands of Euros)

Pursuant to the disclosure requirement of Law 31/2014 amending Law 15/2010, the average period for payment to suppliers is 88 days.

Carrying amounts of the Group's foreign currency receivables, by currencies:

	Thousands of euros	
	2014	2013
US dollar	3,011	1,253
Chinese yuan	1,660	745
Other currencies	294	153
	4,965	2,151

19. Borrowings

	2014	2013
Non-current		
Bank borrowings	155,640	169,054
	155,640	169,054
Current		
Current portion of non-current loans	32,115	34,609
Import trade finance	2,510	296
Amounts drawn on credit accounts	2,369	430
Unmatured discounted bills	1,724	1,225
Interest payable and other	1,718	2,008
	40,436	38,568
Total other borrowings	196,076	207,622

The Group maintains its variable-rate loans without using any financial instruments.

In 2013 the Group received a 45 million euro loan facility from the European Investment Bank to carry out certain investment projects. At 31 December 2014 it had drawn down the full amount (30 million euros at 31 December 2013). The agreement contains half-yearly ratio compliance clauses, and the Group must therefore attain specific key performance indicators. One of the ratios had not been attained at 30 June 2014. In this regard the European Investment Bank granted an exemption on the indicator in December 2014. The levels to be attained for compliance with two of the ratios were lowered for the period between the exemption and 31 December 2015, inclusive. There had been no non-compliance with these indicators at 31 December 2014.

(In thousands of Euros)

The compliance clauses established to maintain the loan in the current conditions require that certain levels be attained for the following ratios in consolidated terms:

- Gross Debt/EBITDA
- Operating Profit/Interest on Borrowing
- Gross Debt/Gross Debt + Equity

In 2014 the Group carried out a process to reduce the cost of borrowing, through early repayment of some of the ongoing loans and a number of new operations.

The average effective interest rates in the year were as follows:

	%	
	2014	2013
Bank loans and borrowings	3.3%	3.8%
Suppliers of fixed assets	3.3%	3.3%
Import trade finance	2.9%	3.7%
Discounted bills	3.1%	2.9%

Non-current borrowings have the following maturities:

	2014	2013
Later than 1 years and no later than 2 years	41,919	62,552
Later than 2 years and no later than 5 years	95,474	93,820
Later than 5 years	18,247	12,682
	155,640	169,054

The carrying amount of all the Group's borrowings is denominated in euros.

The carrying amounts and fair values (estimated based on discounting the cash flows from the borrowings at market rates) of current and non-current borrowings do not differ significantly, as the amounts payable in all cases bear interest at market rates.

The Group's undrawn credit facilities are as follows:

	2014	2013
Variable rate:		
– with maturity within 1 year	45,882	49,624
– with maturity after 1 year	19,784	5,403
	65,666	55,027

(In thousands of Euros)

20. Deferred income tax

The detail of "Deferred tax assets" by origin is as follows:

	2014	2013
Temporary differences	5,021	6,903
Tax losses	12,994	10,032
Unused tax credits and other	27,787	22,323
Total	45,802	39,258

The Group has unused tax credits for tax losses, temporary differences and tax deductions. Investment tax credits are taken to profit or loss over the period during which the related items of property, plant and equipment generating the tax credits are depreciated (Notes 2.20 and 17).

Deferred tax assets arising on tax losses and other unused tax credits are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable.

The amounts of deferred income tax assets are as follows:

	2014	2013
Deferred tax assets		
– Deferred tax assets to be recovered in more than 12 months	39,987	38,120
– Deferred tax assets to be recovered within 12 months	5,815	1,138
	45,802	39,258

(In thousands of Euros)

Movements in deferred tax assets in 2014 and 2013 are as follows:

Deferred tax assets	Temporary differences	Tax losses	Unused tax credits	Total
At 31 December 2012	8,926	16,011	16,464	41,401
Arising in the current and prior years	169	1,860	-	2,029
Credits recognised as deferred income (Note 17)	-	-	2,893	2,893
Credits recognised as other income (Note 23)	-	-	1,856	1,856
Credits recognised as income tax received (Note 28)	-	-	1,169	1,169
Applied/Derecognised	(2,192)	(7,839)	(59)	(10,090)
At 31 December 2013	6,903	10,032	22,323	39,258
Arising in the current and prior years	560	2,962	-	3,522
Credits recognised as deferred income (Note 17)	-	-	3,684	3,684
Credits recognised as other income (Note 23)	-	-	1,470	1,470
Credits recognised as income tax received (Note 28)	-	-	869	869
Applied/Derecognised	(2,442)	-	(559)	(3,001)
At 31 December 2014	5,021	12,994	27,787	45,802

The definitive income tax statement for 2012 (filed in July 2013) offset tax losses of 7.8 million euros, recognised under "Current tax liabilities" and "Suppliers and other payables".

Temporary differences relate mainly to provisions for taxes, which will be tax deductible expenses in future periods.

At 31 December 2014 the Group had tax loss carryforwards amounting to 13,215 thousand euros of the tax charge, of which 221 thousand euros have not been recognised.

The Group also had unused tax credits at 31 December 2014 amounting to 29,966 thousand euros, of which 2,179 thousand euros have not been recognised.

The legislation applicable to tax periods commencing as of 1 January 2014 establishes a time limit of 15 years for the tax credits and tax losses generated, and also stipulates, for those existing prior to this date, that the 15-year period commences on 1 January 2014.

(In thousands of Euros)

All tax losses and tax credits fall due in 2028.

The Directors of the Parent performed an analysis of the recoverability of tax credits in the balance sheet on the criterion of the tax bases estimated by the Group's strategic plan, considering an estimate period of 10 years and the limitations on use of the tax credits, pursuant to current tax legislation. Pursuant to the plan supplied by the Group, the amounts capitalised at 31 December 2014 would be recovered in 5 years.

The plan justifies to a reasonable extent the recoverability of the tax credits capitalised. The plan is based on past Group results, it makes provision for recovery of sales volumes and margins prior to the economic crisis, and contemplates new investment that would achieve the results estimated.

The main assumptions in the recoverability plan are as follows:

- Revenue and utilisation of production capacity: an average increase in sales of 5% in the years ahead.
- Gross margins. Management has determined gross budget margin on the basis of past earnings and its expectations of market development.
- Plan for investment in fixed assets in order to specialise in Premium products with greater added value; a segment producing higher growth and economic returns.

If the actual result (on the basis of estimates) were 10% below the estimates by Management, there would be no indications of impairment in the deferred tax assets recognised at 31 December 2014 and 2013.

Deferred tax liabilities relate to the tax effect of the revaluation of land pursuant to IFRS 1 at 1 January 2004. Movements in 2014 and 2013 were as follows:

	Amount
Balance at 31 December 2012	**21,921**
Other	(53)
Balance at 31 December 2013	**21,868**
Other	(387)
Balance at 31 December 2014	**21,481**

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
(In thousands of Euros)

21. Provisions

Non-current

	Workforce reduction plan	Production activities	Other	Total
At 31 December 2012	7,668	648	9,109	17,425
Charged/(credited) to the income statement:				
Charges	1,698	-	480	2,178
Reversal of provisions	-	(150)	(59)	(209)
Cancellations/payments	-	-	(872)	(872)
Transfers	(3,148)	-	-	(3,148)
Other	(191)	-	-	(191)
At 31 December 2013	6,027	498	8,658	15,183
Charged/(credited) to the income statement:				
Charges	285	-	391	676
Reversal of provisions	(2,449)	(498)	(6,899)	(9,846)
Cancellations/payments	-	-	(163)	(163)
Transfers	(2,201)	-	(27)	(2,228)
At 31 December 2014	1,662	-	1,960	3,622

Current

	Workforce reduction plan	Provision of guarantees	Other	Total
At 31 December 2012	3,616	3,283	5,610	12,509
Charged/(credited) to the income statement:				
Charges	-	848	-	848
Reversal of provisions	-	-	(4,500)	(4,500)
Cancellations/payments	(3,403)	(725)	(880)	(5,008)
Transfers	3,148	-	-	3,148
At 31 December 2013	3,361	3,406	230	6,997
Charged/(credited) to the income statement:				
Charges (Note 25)	-	3,232	-	3,232
Cancellations/payments	(2,548)	(1,507)	(155)	(4,210)
Transfers	2,201	-	29	2,230
At 31 December 2014	3,014	5,131	104	8,249

(In thousands of Euros)

a) "Workforce reduction plan" includes mainly the estimated cost for adapting and lowering the average age of the workforce included in the Group's Competitiveness Plan. This year amendments were made to the agreements to guarantee benefits on a temporary basis up to the age of retirement, with regard to the number of employees concerned. This reduced the group concerned by the agreements, with an impact of approximately 2 million euros on the income statement, included as lower expenditure on employee benefits. In 2013 the agreements affected a total of 315 employees, whereas in 2014 they affected only 168 employees for departures between 2010 and 2014, and payments ultimately terminate in 2018.

Given the scant effect of discounting and of changes in actuarial assumptions, the Group recognised the related costs in 2014 and 2013 under employee costs.

The financial actuarial assumptions used were as follows:

	2014	2013
Discount	0.30%-0.34%	0.99%-1.19%
Mortality rate	PERM 2000P	PERM 2000P
Benefit growth rate	2%	2%
Retirement age	65	65
Accrual method	PUC	PUC

The discount rate was determined on the basis of high-quality (AA-rated) corporate bonds denominated in euros that match the duration of the benefits between 1.2 and 1.6 years (between 1.7 and 2.6 years in 2013) (source: Bloomberg).

b) "Provisions for production activities" related mainly to the cost of environmental restoration works at plants in the dismantling of a production activity in Group company Productos Tubulares, S.A.U. (Note 1). In 2014 the decision was taken to use the facilities to be dismantled as extra storage capacity, and thus the provision at the end of the previous year was reversed.

c) "Provision of guarantees" is mainly provision to cover expenditure on guarantees for repair, revision and other similar items.

d) "Other" includes provisions to cover costs, losses and probable or certain liabilities related to ongoing litigation or other obligations arising as the Group carries out its activity.

(In thousands of Euros)

In 2014 the Group reversed 6.9 million euros provisioned in 2012 in relation to an issue with public administration which terminated in 2014, whereupon the Group applied reversal of the provisions made.

In 2013, pursuant to the ruling in legal proceedings involving a Group company, a reversal of 4.5 million euros was recognised in connection with the surplus provision recognised the year before.

"Other" under current and non-current liabilities also includes the costs of CO_2 emissions in the production process, which amounted to 546 thousand euros (2013: 460 thousand euros), as the emissions entail usage of the emission rights allocated (Note 35.b)).

22. Operating income

	2014	2013
Sale of goods	407,952	350,451
Total ordinary income	407,952	350,451

Virtually all amounts in foreign currency invoiced to customers in 2013 were in US dollars, and amounted to 217 million euros (2013: 119 million euros).

23. Other income

	2014	2013
Work carried out by the Group on assets	5,891	5,852
Recognition in income - deduction of investment in new fixed assets (Note 17 and Note 2.20)	1,132	440
Recognition in income - deduction of R+D+i investment included in intangible assets (Note 17 and Note 2.20)	449	382
Recognition in income - deduction of R+D+i investment recognised in income statement (Note 20)	1,470	1,856
Grants	1,500	1,468
Effect of updating soft loans	-	2,312
Other	1,833	3,746
	12,275	16,056

An amount of 546 thousand euros related to emission rights used was taken to profit and loss in 2014 (Note 2.9) (2013: 460 thousand euros).

(In thousands of Euros)

24. Employee benefit expense

	2014	2013
Wages and salaries	78,253	74,729
Social security costs	21,240	19,043
Contributions and charges for pensions	1,803	2,180
	101,296	95,952

The average number of employees of the Group by professional category and members of the Board of Directors is as follows:

	2014	2013
General labourers	1,209	1,092
Employees	533	541
Directors	11	10
	1,753	1,643

The breakdown by sexes at 31 December 2014 and 2013 is as follows:

	2014			2013		
	Women	Men	Total	Women	Men	Total
General labourers	61	1,157	1,218	43	1,049	1,092
Employees	157	380	537	143	399	542
Directors	1	10	11	1	9	10
	219	1,547	1,766	187	1,457	1,644

25. Other expenses

The detail of this item is as follows:

	2014	2013
External services	83,711	76,037
Taxes	577	536
Losses, impairment and changes in trade provisions (Note 10 and Note 21)	324	(745)
Other operating expenses	1,642	1,991
	86,254	77,819

(In thousands of Euros)

26. Other (losses)/gains - net

The details of this heading are as follows:

	2014	2013
Gains/(losses) on disposal of fixed assets and assets held for sale, net	355	3,706
Non-recurring income/(expense)	(764)	308
Reversal of provisions	7,397	5,305
	6,988	9,319

The reversal of provisions for 2013 related mainly to the reversal of 4.5 million euros following the ruling over legal proceedings involving a Group subsidiary (Note 21). The reversal of provisions for 2014 mainly concerned a reversal of 6.9 million euros provisioned by the Group in relation to an issue with public administration which terminated in 2014. This reversal is included in movements of "Other" non-current provisions (Note 21).

27. Finance income and costs

	2014	2013
Finance income		
– Dividends and other	234	1,170
– Net gains/(losses) on foreign currency transactions	1,586	(2,405)
Finance costs		
– Interest on loans and bank borrowings	(10,623)	(10,190)
– Share of profit/(loss) of associates and joint ventures accounted for using the equity method	(16)	(4)
– Gains and losses on disposal of financial instruments	(8)	-
	(8,827)	(11,429)

(In thousands of Euros)

28. Public administrations and tax on profits

a) Current balances with public administrations

The composition of current balances with public administrations is as follows:

	2014		2013	
	Debtors	Creditors	Debtors	Creditors
VAT	4,509	387	9,068	231
Personal income tax	-	1,705	-	1,645
Social security bodies	32	2,105	38	1,683
Corporation tax	270	-	452	-
Other	889	726	510	290
	5,700	4,923	10,068	3,849

b) Reconciliation of accounting profit and tax bases

	2014	2013
Current tax	-	(898)
Deferred tax	1,266	947
	1,266	49

The Parent has filed a consolidated tax return since 1998. The composition of the tax group at present is as follows:

- Tubos Reunidos, S.A. (parent)
- Tubos Reunidos Industrial, S.L.U.
- Productos Tubulares, S.A.U.
- Tubos Reunidos Comercial, S.A.
- Aplicaciones Tubulares, S.L.
- Clima, S.A.U.

The Group's income tax expense differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group companies as follows:

	2014	2013
Profit before tax	6,185	6,122
Recognition in income of tax criteria and R&D (Note 23)	(3,051)	(2,678)
Consolidation adjustments excluding tax effect	2,504	(857)
Permanent differences	(6,834)	-
Consolidated tax base	(1,196)	2,587

(In thousands of Euros)

In 2014, "Consolidation adjustments excluding tax effect" adjusted for calculation of the consolidated tax base was accounted for by the sale of Aplicaciones Tubulares, C.A. (Atuca) (Note 1). In 2013 this item was accounted for by an adjustment following a reversal of consolidated provisions, which had had no tax effect in previous years.

Permanent differences during the year were accounted for by a reversal of provisions that were not considered deductible for the year in which the provisions were made.

c) Composition of tax expense

The breakdown of income tax expense is as follows:

	2014	2013
Tax calculated at tax rates applicable to profits of each consolidated company (*), considering permanent differences	822	(723)
Tax deductions arising in the year (Nota 20)	(869)	(1,169)
Adjustments to the estimate of tax in respect of the prior year	(57)	113
Activation of tax bases from previous years	(2,387)	-
Consolidation adjustments and other	1,225	1,730
Income tax expense	(1,266)	(49)

(*) At 31 December 2014, certain Group companies contributing losses amounting to 373 thousand euros (1,210 thousand euros at 31 December 2013) did not receive the related tax income.

"Consolidation adjustments and other" corresponds to the tax effect of the consolidation adjustments recognised. The adjustments were chiefly accounted for by the elimination of margins on internal operations such as sale of inventories or premises.

Tax legislation applicable to corporation tax for 2014 is the Álava Provincial Government Regulation 37/2013 of 13 December.

The years open to inspection for applicable taxes varies among Group companies, although they generally cover the last three or four years, with the exception of corporation tax, which covers 2010-2014, both inclusive.

As the consequence, among others, of possible different interpretations of current tax regulations, further liabilities could emerge from an inspection. In any case, the directors consider that if these liabilities emerged they would not have any material effect on the consolidated financial statements.

(In thousands of Euros)

29. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (Note 14).

	2014	2013
Profit/(loss) from continuing operations attributable to owners of the parent	7,079	6,643
Weighted average number of ordinary shares in issue (thousands)	173,993	172,237
Basic earnings/(loss) per share (euros per share)	0.041	0.039

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have any dilutive potential ordinary shares.

30. Dividends per share

Dividends paid out of 2013 profit were as follows:

	2014	
Date of approval	Amount euros/share	Item
General Meeting of Shareholders (8 May 2014)	0.018	Dividend charged against 2013 profit
	0.018	

In 2013 Company shareholders resolved to pay a dividend of 0.023 euro per share on 2012 profit.

The number of treasury shares at the date of payment of dividends was 312,934 in 2014 (2,626,723 shares in 2013).

(In thousands of Euros)

31. Cash generated from operations

	2014	2013
Profit for the year	7,451	6,171
Adjustments for:		
– Tax paid/(received)	(1,266)	(49)
– Depreciation and impairment of property, plant and equipment	23,607	23,074
– Reversal of impairment of property, plant and equipment	(106)	(99)
– Amortisation of intangible assets	2,742	1,600
– Depreciation of investment property	12	12
– Tooling consumption	1,467	1,425
– (Gain)/loss on disposal of property, plant and equipment and available-for-sale assets	(55)	(3,005)
– (Gain)/loss on sale of intangible assets/PP&E	(102)	(602)
– Other income related to fixed assets (government grants)	(3,249)	(1,856)
- Changes in the fair value of derivative financial instruments (*)	3,672	(957)
– Net provisions (Notes 10/11/21)	(10,654)	(559)
– Interest and dividend income	(234)	(1,170)
– Interest expense	10,623	10,190
– Exchange differences	(1,586)	2,405
– Other adjustments to results (Note 1)	2,505	-
Changes in working capital:		
– Inventories	(24,171)	3,538
– Trade and other receivables	3,647	24,224
– Change in provisions (payments)	(2,745)	(4,859)
– Suppliers and other payables	32,008	(14,105)
Cash generated from operations	43,566	45,378

(*) This corresponds to changes to the fair value of the derivative financial instruments recognised in the balance sheet (Note 9) under "Net gains/(losses) on foreign currency transactions".

32. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees related to the normal course of business with a limit of 4.7 million euros (2013: 4 million euros). It does not expect these to give rise to any material liability. The guarantees are chiefly technical guarantees.

33. Commitments

a) Commitments to purchase fixed assets

Commitment (but not incurred) investment at the reporting date amounted to 16.3 million euros in 2014 and 3.3 million euros in 2013.

b) Financing of investment commitments

These investments are financed through payment arrangements with equipment and other asset suppliers and expected cash flows from the Group's activity.

34. Related-party transactions

The following transactions were carried out with related parties:

a) Transactions with associates and unconsolidated Group companies

	2014	2013
Purchases of goods and services	1	-
Purchases of fixed assets	8	-

All purchases and sales of goods and services are carried out at market prices that would be available to unrelated third parties.

The detail of balances, in thousands of euros, held at 31 December 2014 and 2013 with the BBVA Group, the Group's main shareholder, along with the contractual terms and conditions are as follows:

2014

Item	Amount drawn down	Final maturity	Guarantees
Loans	41,300	2019	Personal
Credit facilities	507	-	-
Discounted bills	508	Annual renewal	Personal
Confirming	9,931	Annual renewal	Personal
Import trade finance	-	Annual renewal	Personal
	52,246		

(In thousands of Euros)

2013

Item	Amount drawn down	Final maturity	Guarantees
Loans	43,833	2018	Personal
Credit facilities	-	-	-
Discounted bills	1,127	Annual renewal	Personal
Confirming	5,461	Annual renewal	Personal
Import trade finance	32	Annual renewal	Personal
	50,453		

Interest paid by all Group companies to the BBVA Group in 2014 in respect of the aforementioned contracts recognised in the consolidated income statement amounted to 2,638 thousand euros (2013: 2,672 thousand euros).

b) Balances at year-end with associates from sales and purchases of goods and services

	2014	2013
Receivables	-	-
Payables	9	-

c) Key management compensation

Aggregate annualised compensation paid to general managers and similar of all Group companies reporting directly to governing bodies amounted to 1,877 thousand euros and concerned seven people (2013: 1,804 thousand euros and seven people), as detailed below:

	2014	2013
Short-term remuneration	1,802	1,732
Post-employment benefits	75	72
	1,877	1,804

In 2011, an incentive plan for the 2011-2014 period was approved consisting of variable remuneration linked to the parent's share price from 2011 to 2014 payable at the end of the period within a range of 0 euros to 150 per cent of the average annualised fixed remuneration received by each beneficiary during the years that the plan is in force. At 31 December 2014 and 2013 it was not necessary to make any provision for this item, since the objectives of the Plan had not been met. At 31 December 2014 this Plan had expired, and none of its beneficiaries generated entitlements to payments. Post-employment benefits paid during the year related to contributions to the social welfare system, which is generally applied throughout the Group to all employees through defined contributions to a Voluntary Social Welfare Entity (EPSV).

(In thousands of Euros)

d) Compensation of directors of the parent

Remuneration accrued in the year by members of the Board of Directors of Tubos Reunidos, S.A. in their capacity as directors of the Company, of any kind or for any reason, including the salaries and wages of directors who also perform executive duties in the Group, or provide professional services, amounted to 0 243 thousand euros respectively (2013: 154 and 121 thousand euros), totalled 1,617 thousand euros (2013: 1,624 thousand euros). In addition, in accordance with the Company's by-laws, contributions were made to pension plans in 2014 for a member of the Board of Directors for a total of 155 thousand euros (2013: 351 thousand euros, for two Board members), as detailed below:

	2014	2013
Short-term remuneration	1,617	1,624
Post-employment benefits	155	351
Termination benefits	-	324
	1,772	2,299

The Group does not have any other non-current or share-based payment commitments with directors other than the pension plan contributions mentioned above.

The Company did not advance any loans to members of the Board of Directors in 2014 and 2013.

e) Article 228 of the Revised Corporate Enterprises Act

In order to prevent any conflicts of interests at the Parent, in 2014 members of the Board complied with the obligations stipulated in Article 228 of the Revised Corporate Enterprises Act. Additionally, directors and their related parties were not involved in any of the conflict scenarios stipulated in Article 229 of the Act, and no communications were issued of any direct or indirect conflicts of interests to be considered by the Board of Directors.

35. Other information

a) Fees paid to auditors and companies of its group or related parties

Audit fees paid to all audit firms of Group companies amounted to 258 thousand euros (2013: 243 thousand euros).

Fees paid to the main auditor for other services provided to Group companies in 2014 amounted to 2.8 thousand euros (2013: 9 thousand euros). Other invoices by other companies under the PwC trademark related to other services provided amounted to 27 thousand euros in 2014.

(In thousands of Euros)

b) Environmental issues

The Group's property, plant and equipment include facilities designed to protect and improve the environment. Work is carried out by the Group's own personnel, with the support of external specialists, framed within the Company's strategic environmental plan being implemented to minimise the environmental risks related to its operations and to improve its environmental performance. Investments made and costs incurred in 2014 to protect and improve the improvement amounted to 410 thousand and 2,027 thousand euros respectively (2013: 732 thousand euros and 2,281 thousand euros respectively), recognised under "Property, plant and equipment" on the assets side of the accompanying balance sheet and under "Other expenses" in the accompanying income statement.

Regarding rights governed by the National Allocation Plan (Notes 2.9 and 7), the amount of rights granted to Tubos Reunidos, S.A. and subsidiaries during the period covered by the Plan, by year from 2013 to 2020, is as follows:

	Rights allocated (Mt)
2013	95,931
2014	94,264
2015	92,579
2016	90,875
2017	89,153
2018	87,415
2019	85,654
2020	83,889
Total	719,760

In 2014, expenses arising from the consumption of emission rights, recognised with a balancing entry in the related provision (Note 21), amounted to 546 thousand euros (2013: 460 thousand euros).

The estimated consumption of emission rights for 2014 will not exceed the rights allocated. Rights consumed in 2013 did not exceed the rights allocated.

Management does not expect any type of sanction or contingency to arise from compliance with the requirements of Act 1/2005.

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR 2014
(In thousands of Euros)

1. Business performance and results

a. Key financial and non-financial indicators

The world economy is immersed in a balancing exercise. Countries have to cope with the legacy of a worldwide financial crisis that has led to huge debt and high unemployment. They also face some bleak prospects. Potential future growth is now being corrected downwards, and this has an adverse effect on confidence, demand and present growth.

The United States and the United Kingdom are leading the developed economies out of the crisis with acceptable levels of growth, although in both countries growth potential is now lower than in the noughties. Japan is showing a certain amount of growth, but the legacy of enormous debt from the past and its upward potential create major fiscal and macroeconomic problems. Growth faltered at the beginning of the year in the Eurozone. Although this is partially due to temporary factors, economic recovery is being hampered by high debt and unemployment in member states, and most especially in peripheral countries. This leads to poor growth prospects for most Eurozone countries.

On emerging markets, very low growth is the order of the day. In all these countries, potential growth has been forecast as 1.5% down against growth in 2011. China has experienced high growth in recent years, but it is felt that sustainable expansion will not reach the previous figures. India has found its way out of the recession thanks to some effective policies to restore confidence, and expectations are that growth will again rise above 5%. Meanwhile, the poor investment prospects already observed in Russia even before the Ukrainian crisis are now even bleaker. Uncertain prospects and low investment are also bringing pressure to bear on growth in Brazil. Both Russia and Brazil are also adversely affected by falling oil prices.

Forex markets experienced much volatility throughout the year. The euro, which had risen above 1.39 USD in May, finished the year at 1.21 USD. The euro fell amid a scenario of economic recovery in the US in the latter part of the year, and the reduction of the ECB's key rate to 0.05%, a record low.
The price for Brent price finished 2014 at 110 USD a barrel, marking a decline of 50% in the year. The fall in prices heightened in the last six months of 2014 following the OPEC decision not to reduce its production of crude despite excess market supply.

In these circumstances, the net profit of the Tubos Reunidos Group in 2014 rose by 6.6% to 7.1 million euros and consolidated revenue by 16.4% to 407.9 million euros against the preceding year. Meanwhile, Group EBITDA was 2% lower at 41.4 million euros, with a sales margin of 10.1%.

At the General Meeting of Shareholders in May, the Group presented its new 2014-2017 Strategic Plan, with a focus on its business model, in keeping with the previous plan, concentrating increasingly on products with a greater added value. The key focuses of the new Strategic Plan are: a) More Premium Products, b) More Competitiveness, c) Comprehensive Service. In the first year of the plan, the Group made good progress towards its targets. Special product sales accounted for 65% of Tubos Reunidos' seamless tube revenue in 2014, one percentage point higher than in 2013, chiefly thanks to an increase in sales of OCTG tubes and large-diameter tubes.

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR 2014
(In thousands of Euros)

The Group's investment in fixed assets in 2014 stood at 27.3 million euros, of which 22.8 million euros were allocated to seamless tube business. Tubos Reunidos made good progress in terms of its strategic investment plan (150 million euros between 2012 and 2016) in 2014, and 65% of the plan has already been carried out. These investments targeted both product and process innovation to boost the company's competitiveness and added value, in line with the strategy of focusing on the fastest growing and most profitable niches. The Group is committed to developing new types of steel, special tubes and state-of-the-art production processes in order to meet the growing demands of the energy sector and international markets, which respectively accounted for 83% and 87% of the Group's steel tube sales.

As notified to Spanish securities market regulator CNMV as a significant event in November, the Tubos Reunidos Group signed an agreement with Marubeni-Itochu Tubulars Europe Plc. (MITE), a subsidiary of Marubeni-Itochu Steel Inc., for the manufacture, marketing and supply of OCTG Premium products for oil and gas drilling worldwide. The agreement established a joint venture in Álava to thread Tubos Reunidos' OCTG Premium tube products. The JV has a licence to use JFE Steel Corporation's OCTG Premium threading technology, which will enhance its response to growing market demand for OCTG products worldwide. With total investment of 30 million euros, the agreement is expected to create 80 new jobs in the initial phase of the project. The JV is 51%-owned by TR and 49% by MITE. Located in the town of Iruña de Oca, the new plant is expected to begin production during the first quarter of 2016.

b. Environment and personnel

In Human Resources, 2014 featured stability in the working environment, operating the entire year at full capacity. Here the major milestone was the signature of a new agreement at Productos Tubulares for a period of 4 years (2014 – 2017). The "Generational Handover" plans continued at Tubos Reunidos Industrial (TRI), pursuant to the agreement in force up to 2016, while agreements were reached at Productos Tubulares (PT) to extend it to the year 2018. As for training, 2014 featured another increase in hours allocated to occupational health and safety prevention, a priority issue in all the Tubos Reunidos Group's endeavours, and to labour flexibility and versatility. Moreover, progress was made in the knowledge management process initiated in 2012 and expected to run for several years.

On the occupational health and safety front, the Group's two main plants obtained one of their best accident indicators ever. In addition, the Lloyd's Register certificate in accordance with OSHAS 18001 was renewed, and all audits were carried out successfully.

One of the Tubos Reunidos Group's permanent objectives is to protect the environment, striking a balance between its activities and sustainable development and incorporating tools that enable the Group to achieve continuous improvement in its environmental performance. Moreover, certification of both TRI's and PT's environmental management systems (EMS) in accordance with the ISO 14.001 standard was satisfactorily renewed.

2. Liquidity and capital resources

Tubos Reunidos generated 21.1 million euros of free cash flow in 2014, enabling it to reduce debt by 10.4 million euros, from 182.0 million euros in 2013 to 171.6 million at year-end 2014.

The financial structure remains solid, with 91% of net financial debt maturing in the long term. In the latter half of 2014, Tubos Reunidos embarked upon a process to reduce the costs of borrowing, and signed up 43.9 million euros in bank loans to replace the previous facilities. Conditions on the finance market enabled the average cost to be reduced and repayment periods to be extended, thereby securing greater financial flexibility. Working capital at 31 December stood at 62 million euros, whilst investment in working capital, inventories plus receivables minus payables, was down by 1%, despite greater volumes of business during the year. The Group had total equity at year-end of 261 million euros, and total assets of 662 million euros. TR had 66 million euros of undrawn credit facilities at 31 December 2014.

As mentioned in Note 18 b) of the consolidated 2014 report, the average period for payment to suppliers is 88 days. It should be noted that this indicator was calculated in respect of both national suppliers, to which payment default regulations are applicable, and foreign suppliers, to which the regulations are not applicable.

3. Main risks and uncertainties

A detailed description of the main risks and uncertainties facing the Group's businesses is provided in the notes to the consolidated financial statements, presented and authorised for issue by the Board of Directors.

4. Major events after the closing date

There were no significant events after the closing date.

5. Information on company prospects

Tubos Reunidos began 2015 amid a sharp drop in oil prices, which is causing oil and gas companies to curtail investment plans and scale back drilling activity. This is affecting the seamless tube sector, and accordingly hurting demand for OCTG tubes. Meanwhile, competition is becoming stiffer in other market segments.

Tubos Reunidos can avail itself of a diversified geographic and product exposure, better product/service/competitiveness capacities and a favourable euro/dollar exchange rate to address this situation. Company management intends to keep the focus on progress towards the 2014-2017 Strategic Plan's targets, with a flexible business model to adapt capacity to the levels of market business at any given time. Tubos Reunidos will also continue to strictly monitor costs, and has a plan to maximise efficiency and operational excellence following the gains acquired in terms of experience and knowledge in connection with new processes and investment.

Tubos Reunidos is set on reducing debt in 2015, maintaining its investment plans for the new plant in Álava and the large-diameter plant, to build on the company's ability to manufacture large-diameter special steel and stainless steel tubes.

The Group is confident about the sector's positive medium-term fundamentals and continues to act in accordance with the objectives of increased competitiveness, developing new high-performance products to meet demand for Premium tubes in the energy sector, and on developing a commercial and corporate strategy focused on offering comprehensive service solutions in the fastest growing segments and geographic areas, backed by the joint venture with Marubeni Itochu Tubulars Inc.

6. Investment and R+D+i

At Tubos Reunidos Industrial (TRI), optimisation and start-up of the degassing facilities at the Amurrio steel plant and the new induction hardening and tempering line; developing technical knowledge of these processes to adapt them to the growing range of products with greater added value. TRI has also invested in drilling equipment to bring it into line with the larger product range, and a new magnetic particle tube end inspection facility to boost the manufacture of OCTG Premium products.

Productos Tubulares (PT) continued to invest in adapting the production process to a wider range of large-diameter tubes in special ultra-high alloy stainless steels. On the innovation front, work continued on designing new in-house tools and manufacturing procedures, and rolling high-grade steels such as Duplex and Alloy 825 (nickel-based) and stainless steel, using non-forged compound materials.

In keeping with the innovative features of new products and processes at companies, investment and recent developments have been based on TRI and PT engineering and assistance from technology centres, universities and other R+D specialists.

7. Acquisition and disposal of treasury shares

With regard to treasury shares, as notified to the CNMV regulator on 19 February 2014, a block of 1,816,788 shares was sold on 18 February 2014 at 1.84 euro per share. This transaction reduced the balances of the Liquidity Agreement entered into with Norbolsa, SV, S.A. on 21 July 2008, as stipulated in CNMV Circular 3/2007 of 19 December. The shares account was reduced to 300,000 shares (the same number of shares allocated to the Liquidity Agreement), and the cash account to 500,000 euros. Apart from the block sale, treasury share transactions were carried out under the Liquidity Agreement only. Both the terms of the agreement and a list of specific transactions carried out were disclosed to the CNMV and are available for consultation on the CNMV website. In 2014 the Company bought 2,082,037 treasury shares and sold 2,151,545 (excluding the block sale), leaving a balance of 323,500 treasury shares at year-end.

Pursuant to Article 253 of the Corporate Enterprises Act, the directors of **"TUBOS REUNIDOS, S.A."**, with tax identification number A / 48/011555 and registered office in Amurrio (Álava) have authorised the financial statements and management report of **TUBOS REUNIDOS, S.A. AND SUBSIDIARIES** for 2014, composed of the documents itemised and identified below, for issue:

Consolidated financial statements:

- Contents: transcribed on _____ (___) sheets of official stamped paper, numbered ________ and ________.
- Consolidated balance sheet: transcribed on _____ (___) sheet of official stamped paper, numbered ________.
- Consolidated income statement: transcribed on _____ (___) sheet of official stamped paper, numbered ________.
- Consolidated statement of comprehensive income: transcribed on _____ (___) sheet of official stamped paper, numbered ________.
- Consolidated statement of changes in equity: transcribed on _____ (___) sheet of official stamped paper, numbered ________.
- Consolidated statement of cash flows: transcribed on _____ (___) sheet of official stamped paper, numbered ________.
- Notes to the consolidated financial statements: transcribed on _____ (___) sheets of official stamped paper, numbered ________ to ________ and ________ to ________.

Management Report: transcribed on _____ (___) sheets of official stamped paper, numbered ________ to ________, together with the **Annual Corporate Governance Report:** transcribed on _____ (___) sheets of official stamped paper, numbered ________ to ________.

The directors of the Company also declare that, to the best of its knowledge, the annual financial statements prepared under prevailing accounting principles provide a true and fair view of the equity, financial position and financial performance of the issuer and of the companies consolidated taken as a whole, and that the management report includes a true and fair analysis of the business performance, results and financial position of the issuer and of the companies consolidated taken as a whole, together with the description of the main risks and uncertainties they face.

In witness whereof, and as an introduction to the aforementioned financial statements and report, the document is signed by the persons listed below:

Pedro Abásolo Albóniga (Chairman-Other external)	**Emilio Ybarra Aznar** (Deputy Chairman – Proprietary director)
Alfonso Barandiaran Olleros (Proprietary director)	**Alberto Delclaux de la Sota** (Director-Other external)
Francisco José Esteve Romero (Proprietary director)	**Jorge Gabiola Mendieta** (Secretary-Other external)
Luis Alberto Mañas Antón (Independent director)	**Enrique Portocarrero Zorrilla-Lequerica** (Proprietary director)
Roberto Velasco Barroetabeña (Independent director)	**Leticia Zorrilla de Lequerica Puig** (Proprietary director)
QMC Directorships,S.L. (represented by Jacobo Llanza Figueroa) (Proprietary director)	

Amurrio (Álava), 26 February 2015