Audit Report on Financial Statements
issued by an Independent Auditor

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended
December 31, 2020

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

To the shareholders of TUBOS REUNIDOS, S.A.:

Opinion

We have audited the consolidated financial statements of TUBOS REUNIDOS, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2020, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2020 and of its 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 (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Material uncertainty related to Going Concern

We draw attention to note 4.1 of the attached consolidated report, which indicates that in 2020 the Tubos Reunidos Group has incurred losses amounting to 97,905 thousand euros mainly derived from the impacts of the Covid-19 pandemic, also being affected in its cash generation. As indicated in the aforementioned note, the Board of Directors of Tubos Reunidos has updated its Strategic Plan to face this new situation and, to carry it out and provide the Group with resources that allow its future viability, it is in negotiations to obtain additional financing implemented in the form of a participatory loan through a request for temporary public support in the amount of 112.8 million euros to the Sociedad Estatal de Participaciones Industriales (SEPI) from the "Fund to Support the Solvency of Strategic Companies affected by the pandemic" in accordance with Royal Decree Law 25/2020, of July 3.

The circumstances described above indicate the existence of material uncertainty that may give rise to significant doubts about the Group's ability to continue as an on-going company. Our opinion has not been modified by this issue.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Recoverability of Property, plant and equipment and intangible assets

Description

As of December 31, 2020, the Group presents tangible and intangible assets amounting to EUR 177,140 and EUR 2,778 thousand, respectively. The Management of the Tubos Reunidos Group assesses, at least on an annual basis, whether there are indications of impairment on these assets and, if so, performs certain analyses on the recoverability of the amounts recorded in the consolidated balance sheet, as broken down in Note 4 "Accounting estimates and calculations", relating to breakdowns by measure of fair value and in Note 6 "Property, plant and equipment" describing the main assumptions used in the impairment analysis.

The recoverability of the carrying amount of the indicated assets has been determined on the basis of the current value of future flows generated by the cash-generating units or, where appropriate, the best estimate of their recoverable value. Flows are calculated based on business plans approved by the Group Management. On the other hand, Management has carried out an analysis of sensitivity on key hypotheses that, based on historical experience, may reasonably vary. Its preparation requires estimates and the assessment of uncertainties that could significantly influence the amounts accounted for and, therefore, the Group's financial position and results.

We have considered this area as a key audit matter because of the importance of related amounts and the existence of significant estimates used by Management in its assessment of the recoverability of the value of tangible and intangible assets.

Our response

Our audit procedures have included, among others, the following:

- Understanding of the processes established by the Group Management in determining the analyses of asset impairments, including evaluating the design and implementation of relevant controls.
- Analysis of the reasonableness of the allocation of assets to the different cash-generating units.
- Review of the model used by the Group Management, in collaboration with our valuation specialists, covering, in particular, the mathematical coherence of the model, the reasonableness of projected cash flows, discount rates and long-term growth rates, as well as the results of the sensitivity analyses carried out by the Group Management. In conducting our review, we have had interviews with business leaders and used recognized external sources and other information available for the contrast of the data used by the Group Management.

- Review of the breakdowns included in the consolidated financial statements in accordance with the applicable financial reporting regulatory framework.

Valuation of the embedded derivative of the debt

Description	As indicated in note 20 "Borrowings" of the attached consolidated report, the refinancing agreement signed by the Group's parent company in December 2019 and novated in May 2020, is a hybrid, segregable instrument, containing a financial liability and a derivative associated with the mechanism for converting part of the debt. As of December 31, 2020, the attached consolidated balance sheet includes under the heading "Derivative financial instruments" of non-current assets the valuation of the aforementioned derivative in the amount of 67,028 thousand euros. The determination of the fair value of this derivative instrument entails the application of significant judgments by the Group's Management and has a high sensitivity to the change of hypotheses and assumptions. Therefore, we consider the valuation of the embedded derivative of the debt a key audit matter in our audit.
Our response	Our audit procedures have included, among others, the following: - Understanding of the processes established by the Group Management in determining the value of the embedded derivative of the debt, including evaluating the design and implementation of relevant controls. - Review of the method used by the Group Management, in collaboration with our internal specialists, covering, in particular, the mathematical coherence of the model, the understanding of the hypotheses and assumptions used by the Group Management based on interviews with key people, as well as the contrast of the data used in the method with external and accounting information. - Review of the breakdowns included in the consolidated financial statements in accordance with the applicable financial reporting regulatory framework.

Other information: consolidated management report

Other information refers exclusively to the 2020 consolidated management report, the preparation of which is the responsibility of the Company’s directors and is not an integral part of the financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that the consolidated non-financial statement was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2020 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee of the Parent company on April 30, 2021.

Term of engagement

The ordinary general shareholders' meeting held on July 27, 2019 appointed us as auditors of the Group for 3 years, commencing on the financial year ended on December 31st, 2019.

ERNST & YOUNG, S.L.

Signed on the original in Spanish

April 30, 2021

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

Consolidated annual accounts and Consolidated management report for the financial year ended 31 December 2020

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONTENTS OF THE CONSOLIDATED ANNUAL ACCOUNTS

Consolidated annual accounts:

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020
(In thousands of euro)

ASSETS	Note	2020	2019
Property, plant and equipment	6	177,140	289,586
Other intangible assets	7	2778	5360
Use rights	8	5346	6423
Real estate investments	9	1413	1696
Derivative financial instruments	3.2/11	67,028	-
Non-current financial assets	10	204	296
Deferred tax assets	21	8531	16,269
NON-CURRENT ASSETS		262,440	319,630
Inventory	13	53,590	98,297
Clients and others accounts receivable	10/12	13,753	21,342
Derivative financial instruments	10/11	-	30
Other current financial assets	10	518	456
Other current assets		12	155
Cash and other cash equivalents	10/14	20,822	20,582
CURRENT ASSETS		88,695	140,862
TOTAL ASSETS		**351,135**	**460,492**

LIABILITIES AND NET EQUITY	Note	2020	2019
Share capital	15	3494	3494
Share premium	15	387	387
Other reserves	16	48,924	48,924
Retained earnings	16	(81,437)	16,468
Cumulative exchange rate difference		530	(386)
Less: Treasury shares	15	(1071)	(1090)
EQUITY ATTRIBUTABLE TO NET EQUITY HOLDERS OF THE PARENT COMPANY		(29,173)	67,797
Minority interests	17	589	706
NET EQUITY		(28,584)	68,503
DEFERRED INCOME	18	580	870
Borrowings	10/20	260,544	227,955
Deferred tax liabilities	21	7930	15,729
Other non-current assets	10/19	18,824	23,132
Provisions	22	1053	1053
NON-CURRENT LIABILITIES		288,351	267,869
Borrowings	10/20	5283	28,462
Suppliers and other accounts payable	10/19	83,009	88,528
Provisions	22	2496	6260
CURRENT LIABILITIES		90,788	123,250
TOTAL LIABILITIES		379,719	391,989
TOTAL LIABILITIES AND NET EQUITY		**351,135**	**460,492**

Notes 1 to 37 of the notes to the consolidated annual accounts are an integral part of these consolidated annual accounts

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(In thousands of euro)

	Note	2020	2019
Net turnover	**23**	241,661	284,442
Other income	**24**	5488	5997
Change in inventory of finished products or those in production	**13**	(33,022)	(3604)
Supplies	**13**	(87,363)	(131,120)
Expenses for employee benefits	**25**	(80,331)	(89,509)
Depreciation and amortisation	**6/7/8/9**	(22,624)	(25,112)
Other expenses	**26**	(62,008)	(78,516)
Deterioration of property, plant and equipment and real estate investments	**6/7/9**	(99,598)	(4440)
Other net profit/(loss)	**27**	335	872
Impairment of tax credits	**21**	-	(10,347)
OPERATING INCOME		(137,462)	(51,337)
Financial income	**28**	10	13
Financial expenses	**28**	(22,990)	(14,300)
Changes in fair value of financial instruments	**28**	65,816	25,648
Exchange differences (net)	**28**	(3286)	938
FINANCIAL RESULTS		39,550	12,299
PROFIT/(LOSS) FROM ONGOING OPERATIONS BEFORE TAX		(97,912)	(39,038)
Income tax expenses	**29**	(110)	(6101)
PROFIT/(LOSS) FROM ONGOING OPERATIONS FOR THE YEAR BEFORE TAX		(98,022)	(45,139)
RESULTS FOR THE FINANCIAL YEAR		(98,022)	(45,139)
Minority interests - (profit)/loss	**17**	117	3664
RESULT ATTRIBUTABLE TO NET EQUITY HOLDERS OF THE PARENT COMPANY		**(97,905)**	**(41,475)**

	Note	2020	2019
Profit/loss per share from ongoing and discontinued operations attributable to owners of the parent company (expressed in euro per share)	**30**		
Basic earnings per share:			
- From ongoing operations		(0.563)	(0.238)
- From discontinued operations		-	-
		(0.563)	(0.238)
Diluted earnings per share:			
- From ongoing operations		(0.563)	(0.238)
- From discontinued operations		-	-
		(0.563)	(0.238)

Notes 1 to 37 of the notes to the consolidated annual accounts are an integral part of these consolidated annual accounts

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(In thousands of euro)

	2020	2019
RESULTS FOR THE FINANCIAL YEAR	**(98,022)**	**(45,139)**
OTHER COMPREHENSIVE INCOME		
Items that can subsequently be reclassified as results		
Foreign exchange differences	916	526
Cash flow hedging	-	782
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**(97,106)**	**(43,831)**
Attributable to:		
- Shareholders of the Parent Company	(96,989)	(40,167)
- Minority interests	(117)	(3664)
	(97,106)	**(43,831)**
Total comprehensive income for the financial year attributable to Shareholders of the Parent Company		
- Ongoing operations	(97,106)	(43,831)
- Discontinued operations	-	-
	(97,106)	**(43,831)**

Notes 1 to 37 of the notes to the consolidated annual accounts are an integral part of these consolidated annual accounts

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(In thousands of euro)

	Attributable to the shareholders of the Parent Company							
	Share capital (Note 15)	**Treasury shares (Note 15)**	**Share premium (Note 15)**	**Other reserves (Note 16)**	**Cumulative exchange rate difference**	**Retained earnings (Note 16)**	**Minority interests (Note 17)**	**Total net equity**
Balance at 31 December 2018	17,468	(1051)	387	48,924	(912)	43,187	(2882)	105121
Total comprehensive income for 2019	-	-	-	-	526	(40,693)	(3664)	(43,831)
Capital reduction (Note 15)	(13,974)	-	-	-	-	13,974	-	-
Operations with treasury shares (Note 15)	-	(39)	-	-	-	-	-	(39)
Other transactions (Note 17)	-	-	-	-	-	-	7252	7252
Balance at 31 December 2019	3494	(1090)	387	48,924	(386)	16,468	706	68,503
Total comprehensive income for 2020	-	-	-	-	916	(97,905)	(117)	(97,106)
Operations with treasury shares (Note 15)	-	19	-	-	-	-	-	19
Balance at 31 December 2020	3494	(1071)	387	48,924	530	(81,437)	589	(28,584)

Notes 1 to 37 of the notes to the consolidated annual accounts are an integral part of these consolidated annual accounts

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020
(In thousands of euro)

	Note	2020	2019
Cash flow from operating activities			
Cash generated from operations	32	21,930	(1475)
Interest collected	28	10	13
Interest paid	20 and 28	(3259)	(9571)
Net cash generated from operating activities		18,681	(11,033)
Cash flow from investment activities			
Acquisition of property, plant and equipment	6 and 19	(3428)	(4310)
Proceeds from the sale of real estate investments	9	-	1600
Acquisition of intangible assets	7	(508)	(522)
Net withdrawals of financial assets	10	92	-
Net cash used in investment activities		(3844)	(3232)
Cash flow from financing activities			
Acquisition and amortisation of treasury shares	15	19	(39)
Additions from borrowings	20 and 32	15,991	2383
Amortisation of borrowings	20 and 32	(25,457)	(4866)
Amortisation of other debts	19 and 32	(5150)	(2401)
Net cash used in financing activities		(14,597)	(4923)
Cash and cash equivalents in foreign currency		-	17
Net increase/(decrease) in cash and cash equivalents		**240**	**(19,171)**
Cash and other cash equivalents at the start of the financial year	14	20,582	39,753
Cash and other cash equivalents at the end of the financial year		**20,822**	**20,582**

Notes 1 to 37 of the notes to the consolidated annual accounts are an integral part of these consolidated annual accounts

(In thousands of euro)

1. General information

1.1 Structure of the Group and activity

Tubos Reunidos, S.A. (T.R.), as a holding company, is the head of a group comprised of various companies (see attached table) with activities in the areas of seamless piping and others. Its registered office and tax residence is in Amurrio (Álava, Spain).

The parent company is a sociedad anónima (Spanish public limited company) that is listed on the Bilbao and Madrid Stock Markets.

The list of fully consolidated subsidiaries, all of which are consolidated using the full consolidation method, as they all have a majority shareholding or control of the company, is as follows:

Company and corporate domicile	Activity	%	Holding Group Company	Auditor
Tubos Reunidos Industrial, S.L. (Single Shareholder Company) (TRI) Amurrio (Álava)	Industrial	100	T.R.	EY
Productos Tubulares, S.A. (Single Shareholder Company) (PT) Valle de Trápaga (Vizcaya)	Industrial	100	T.R.	EY
Aceros Calibrados, S.A. (Single Shareholder Company) (ACECSA) Pamplona (Navarre)	Industrial	100	T.R.	-
Tubos Reunidos Premium Threads, S.L. (TRPT) (*) Iruña de Oca (Álava)	Industrial	51	T.R.	EY
Tubos Reunidos America, Inc. Houston (Texas)	Marketing	100	T.R.	-
RDT, Inc. Beasley (Texas)	Industrial	100	Aplicaciones Tubulares, S.L.	-
Tubos Reunidos Services, S.L. (Single Shareholder Company) Amurrio (Álava)	Industrial/Real Estate Operation	100	T.R.	EY
Clima, S.A. (Single Shareholder Company) (CLIMA) Bilbao (Vizcaya)	Holding company	100	T.R.	-
Aplicaciones Tubulares, S.L. (Single Shareholder Company) Bilbao (Vizcaya)	Holding	100	T.R.	-

(*) Fully consolidated company given that the Group has effective control over it (Note 4.2).

All the companies in the group end the financial year on 31 December of each year.

Variations in the scope of consolidation

There were no significant changes to the scope of consolidation in financial year 2020.

2019 Financial Year

Changes in the scope of consolidation in 2019 relate to the liquidation of the subsidiaries Tubos Reunidos Comercial, S.A. and Tubos Reunidos Aplicaciones Tubulares de Andalucía, S.A., which had no significant effect on the consolidated annual accounts for that year.

1.2 Impacts of the COVID-19 pandemic

On 11 March 2020, the World Health Organization escalated the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. The quick sequence of events, both nationally and internationally, resulted in an unprecedented health crisis that is impacting the macroeconomic environment and business development at the global level. To address this situation, among other measures, the Spanish Government, like the governments of other countries, declared a state of emergency by means of Royal Decree 463/2020 of 14 March (which was lifted on 1 July 2020), and approved a series of extraordinary emergency measures to address the economic and social impact of COVID-19, including Royal Decree-Law 8/2020 of 17 March. At the date of preparation of these consolidated annual accounts, the state of emergency declared by the Spanish Government by Royal Decree 926/2020 of 25 October, initially approved until 9 November 2020, was in force and extended by Royal Decree 956/2020 of 3 November until 9 May 2021.

The global COVID-19 pandemic is causing the delay of multiple projects in the Group’s global chain of key sectors, such as Oil & Gas, Energy and Industry, as well as a slump in demand and, consequently, the slowdown and reduction of the Group's commercial activity. The drastic cuts to maintenance budgets in the aforementioned sectors has had a significant impact on the Group's activity and therefore on incoming orders during the 2020 financial year, with a decrease of more than 40% compared to the previous year.

The strategy of geographical, industry and product diversification, as well as reduced exposure to the US market and significant efforts in the industrial and commercial areas, are aspects on which the Group has been working since the 2018 financial year. This strategy was reflected in a significant increase in orders in the last quarter of 2019. At the start of 2020, this lead to a portfolio with a 46% increase compared to the beginning of the previous year and a mix focused on high value-added products in the midstream and downstream sectors. As a result, business performance in the first months of the 2020 financial year until the outbreak of the pandemic was satisfactory, in line with forecasts and clearly better than in the previous year, both in terms of sales and operating results. However, the dynamics caused by COVID-19 have offset the Group's good start to the year, with a full impact in the second quarter of 2020, and will continue to affect financial year 2021 as well. At the date of preparation of these consolidated annual accounts, we do not expect demand to start to recover until the second half of 2021.

In this context of uncertainty and the health crisis, the Group's management and Board of Directors have been taking the necessary adaptation measures since the beginning of the crisis, both in terms of commitment to the safety of our employees and in the economic sphere. With regard to the latter, the focus is mainly on cost containment measures, permanent and temporary employment adjustments and salary reductions, as well as negotiating new sources of financing, in order to strengthen and protect the liquidity position.

The situation caused by the pandemic has also affected the Group's expected timing of cash generation in the 2020 financial year. In this respect, in May 2020, extraordinary funding of €15 million was finalised, partly guaranteed by the State guarantee line managed by the Instituto de Crédito Oficial (ICO), as well as the renewal of the restructuring framework agreement signed at the end of 2019 (Note 20). Thus, certain provisions of the agreement were adapted, such as postponing the obligation to comply with the financial rates until December 2021, establishing different repayment schedules and extending the previously established grace period to December 2021 by one year and approving and extending the guarantees to secured liabilities.

The Group's business context is far from normal due to COVID-19 and requires great caution. Within this scenario, the Group's objectives are structured in two distinct phases:

- The first phase covers the second half of 2020 and the 2021 financial year, and is called "Focus on cash", in which the Group will continue saving cash. This means continuing to strongly influence the management guidelines mentioned above: cost containment measures, temporary employment adjustments, and negotiating new sources of funding that help mitigate the effects of the pandemic and allow implementation of the efficiency measures necessary to successfully carry out the second phase. (Note 4.1.1)

- The second phase covers the 2022–2024 period and is called "Focus on value". We estimate that global energy and electricity needs will increase during this phase, spurred by the return to pre-COVID-19 levels of demand, the growth of the world's population and greater development in emerging countries, especially in Asia. In addition, the reduced carbon footprint promoted by governments in almost all countries around the world will accelerate the advancement of clean energies (nuclear, offshore wind, geothermal, green hydrogen/eFuels, biomass, incinerators and solar thermal). At the same time, the increased consumption of natural gas as a transition energy will continue to progressively overtake coal and other heavier fossil fuels in the electricity mix. We estimate that all of this will boost demand for seamless steel pipes in higher alloy – and therefore higher value-added – steel grades, reinforcing the logic of our sector and market diversification strategy.

1.3 Preparation of accounts

The consolidated annual accounts for 2019 were prepared by the Board of Directors of the Parent Company on 27 February 2020, and were approved by the General Shareholders' Meeting on 29 October 2020. The consolidated annual accounts for financial year 2020 were prepared by the Board of Directors of the Parent Company on 25 March 2021 and are pending approval by its General Shareholders' Meeting. However, it is the understanding of Group management that they will be approved without modification.

2. Summary of the main accounting policies

The main accounting policies adopted in the drafting of these consolidated annual accounts are described below.

2.1 Bases of presentation

The consolidated annual accounts for the Group at 31 December 2020 were prepared in accordance with the International Finance Reporting Standards (IFRS) adopted for use in the European Union (IFRS-EU) and approved by the Regulations of the European Commission, which are valid at 31 December 2020, and the IFRIC interpretations.

The preparation of the consolidated annual accounts, in accordance with the IFRS-EU, requires the use of certain critical accounting estimates. It also requires that Management exercise its judgement in the process of applying the Group's accounting policies. Note 4 discusses the areas involving a higher degree of judgement or complexity, or those areas where assumptions and estimates are significant to the consolidated annual accounts.

(In thousands of euro)

The accounting policies used in the preparation of these consolidated annual accounts are the same as those applied in the consolidated annual accounts for the year ended 31 December 2019.

Standards and interpretations issued by the IASB but not applicable in this financial year are the following:

Standard, interpretation or amendment	**EU Official Journal date of publication**	**Application date by the EU**	**Application date by IASB**
Modification to IFRS 4 Insurance contracts – deferment of IFRS 9	16 December 2020	1 January 2021	1 January 2021
IFRS 17 – Insurance Contracts	Pending	Pending	1 January 2023
Amendment to IAS 1: Presentation of financial statements: classification of liabilities as current or non-current	Pending	Pending	1 January 2023
Amendments to: - IFRS 3 Business combinations - IAS 16 Property, plant and equipment - IAS 37 Provisions, contingent liabilities and contingent assets - 2018–2020 annual improvements	Pending	Pending	1 January 2022
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – phase 2	13 January 2021	1 January 2021	1 January 2021

The Group shall adopt these standards when they enter into force. From a preliminary analysis, the Group estimates that its initial application will not have a significant impact on its consolidated annual accounts.

2.2 Consolidation principles

a) <u>Subsidiaries</u>

Subsidiaries are all those entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to obtain variable returns due to its involvement with the investee company and has the ability to use its power over it to influence those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are excluded from consolidation on the same date such control ceases.

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

b) <u>Changes in ownership interests in subsidiaries without change in control</u>

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is to say, as transactions with owners in their capacity as such. In purchases of non-controlling interests, the difference between the fair value of the consideration paid and the relevant share acquired of the carrying amount of the net assets of the subsidiary is recognised in net equity. Profit or losses due to disposal of non-controlling interests are also recognised in net equity.

c) Disposal of subsidiaries

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

d) Associated companies

Associated companies are all entities over which the Group exercises significant influence but does not have control, which is generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's interest in the results of the investment after the acquisition date. The Group's investment in associated companies includes goodwill identified on acquisition. As of 31 December 2020 and 2019, the Group has no interests in associated companies.

e) Joint arrangements

Investments in joint arrangements under 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 of its scope.

2.3 Segment reporting

The information on operating segments is presented in accordance with the internal information that is supplied to the Board of Directors.

The segment reporting is shown in Note 5.

2.4 Foreign currency transactions

a) Functional and presentation currency

Items included in the annual accounts of each of the Group's entities are measured using the currency of the main economic environment in which the entity operates ("functional currency"). The functional currency for all Group companies is that of the country where they are located. The consolidated annual accounts are presented in euro, which is the functional and presentation currency of the parent company.

b) Transactions and balances

Transactions in foreign currencies are converted to the functional currency using the exchange rates on the dates of the transactions. Profit and loss in foreign currency resulting from the settlement of such transactions and the conversion of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognised in income. They are deferred in net equity if they refer to qualified cash flow hedges and qualified net investment hedges or are attributable to part of the net investment in an overseas business.

The profit and loss from exchange differences related to financial debts are presented in the profit and loss account, within financial expenses. The remaining profit and loss on exchange differences are presented in the profit and loss account on a net basis within other profit/(loss).

Non-monetary items that are measured at fair value in a foreign currency are converted using the exchange rates on the dates on which the fair value was determined. Conversion differences in assets and liabilities recorded at fair value are presented as part of the profit or loss in fair value.

c) Group entities

The results and financial position of all Group entities, whose functional currency is different from the presentation currency, are converted into the presentation currency as follows:

- Assets and liabilities of each balance sheet are converted at the closing exchange rate on the balance sheet date;

- Income and expenses for each profit and loss account are converted at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the dates of the transaction, in which case income and expenses are converted on the dates of the transactions); and

- All resulting exchange rate differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are deemed as assets and liabilities of the foreign entity and converted at the closing exchange rate.

2.5 Property, plant and equipment

Property, plant and equipment assets are recognised at their cost less any depreciation and accumulated impairment losses, except for land, which is not amortised and shall be recognised by its cost less impairment losses.

The historical cost includes expenses directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or assigned as a separate asset, as the case may be, only when it is likely that future economic profit associated with the items will flow to the Group and the cost of the item can be measured in a reliable manner. The carrying amount of the replaced part is written off. All other repairs and maintenance expenses are charged to the profit and loss account during the financial year in which they take place.

(In thousands of euro)

Depreciation of assets is calculated using the linear method, applying the following estimated useful lives:

	Years of estimated useful life
Buildings	30–50
Technical installations and machinery	10–30
Other installations, tools and furniture	10
Other fixed assets	6–15

The residual value and useful life of assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is reduced to its recoverable amount (Note 2.9).

Profit and loss on the sale of property, plant and equipment assets are calculated by comparing the proceeds with the carrying amount and are included in the profit and loss account in the line "Other net profit/(loss)" (Note 27).

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

2.6 Borrowing costs

The costs for general and specific interests that are directly attributable to the acquisition, construction or production of assets, those which necessarily require a substantial period of time before they are ready for their intended use, are added to the costs of these assets during the period of time required to complete and prepare the asset. Other borrowing costs are expensed.

2.7 Real estate investments

Real estate investments comprise owned land and buildings (industrial buildings) which are held for profit or loss through sale or rental. The items included under this heading are valued at acquisition cost less accumulated depreciation and impairment losses they may have suffered.

For the calculation of depreciation of real estate investments, the straight-line method is used depending on the years of estimated useful life (30 and 50 years).

2.8 Intangible assets

a) IT applications

Software licenses acquired are capitalised on the basis of the costs incurred to acquire them and setting them up to use the specific software.

Expenses related to the development or maintenance of software are expensed when incurred. Costs directly related to the production of identifiable and unique software products controlled by the Group, and which will possibly generate higher economic benefits than costs for more than one year are recognised as intangible assets. Direct costs include the costs of the staff developing software and an appropriate proportion of overheads.

Software, whether acquired from third parties or self-developed, recognised as assets is amortised over its estimated useful live (4 to 8 years).

b) Research and development expenses

Research costs are recognised as an expense when incurred. Costs incurred on development projects (related to the design and testing of new or improved products) are recognised as an intangible asset when the project can be correctly and individually identified as likely to be successful, considering its technical and commercial feasibility, whether management intends to complete the project, whether it has the technical and financial resources to do so, whether there is the ability to use or sell the asset generating probable economic benefits, and whether its costs can be reliably estimated. Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent financial year.

Development costs with a finite useful life are amortised from the commencement of the straight-line commercial production of the product during the period it is expected to generate profits, but not exceeding five years.

c) Trademarks and licences

Trademarks and licences acquired from third parties are presented at historical cost. They have a finite useful life and are carried at cost less accumulated depreciation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life (15 years).

2.9 Impairment losses of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for value impairment, or more frequently in the cases of events or changes in circumstances that indicate they may have suffered value impairment. Other assets subject to depreciation are subject to value impairment checks whenever any events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that the estimated recoverable amount is lower than the net carrying amount of the asset, an impairment loss is recorded against the consolidated profit and loss account, reducing the carrying value of the asset to its recoverable amount. The recoverable amount is the highest between the fair value of an asset less disposal costs and the value in use. In order to assess impairment losses, assets are grouped at the lowest levels for which there are cash inflows identified separately that are largely independent of the cash inflows from other assets or groups asset (cash generating units).

Impairment losses of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.10 Leases

• *Use rights*

The Group recognises use rights at the beginning of the lease (the date on which the underlying asset is available for use). Use rights are valued at cost, less accumulated amortization and impairment losses and are adjusted for any changes in the valuation of the associated lease liabilities. The initial cost of use rights includes the amount of recognised lease liabilities, initial direct costs and lease payments performed before the commencement of the lease date. Incentives received are discounted from the initial cost. Unless the Group is fairly sure of obtaining ownership of the leased asset at the end of the lease term, the rights of use are amortised linearly for the shorter term of the estimated useful life and the lease term. Use rights are subject to impairment analysis.

• *Lease liabilities*

At the start of the lease, the Group recognises the lease liabilities at the present value of the lease payments that will be made during the term of the lease. Lease payments include fixed payments less lease incentives, variable payments which depend on an index or rate, and amounts expected to be paid as residual value guarantees. Lease liabilities also include the exercise price of a purchase option, if the Group is reasonably certain to exercise that option, and lease termination penalty payments, if the lease term reflects the Group's exercise of the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as expenses for the period in which the event or condition that triggers the payment takes place.

When calculating the present value of the lease payments, the Group uses the incremental interest rate at the commencement of the lease if the implicit interest rate in the lease cannot be easily determined. After the start date, the amount of the lease liabilities is increased to show the accrual of interest and is reduced by the lease payments made. The lease liability is also revalued if an amendment, a change in the lease term or a change in the valuation is made in order to purchase the underlying asset. The liability also increases if there is a change in future lease payments due to a change in the index or rate used to determine such payments.

• *Short-term leases and low-value asset leases*

The Group applies the short-term lease recognition exemption to its machinery and equipment leases that have a lease term of 12 months or less from the commencement and have no purchase option. It also applies the low-value asset recognition exemption to leases of less than 5000 US dollars. Lease payments on short-term leases and leases of low-value assets are recognised as a straight-line expense over the lease term.

• *Judgements applied in determining the lease term of contracts with renewal options*

The Group determines the term of the lease as the non-cancellable term of a lease, to which the optional periods to extend the lease are added, if it is reasonably certain that this option will be exercised. The periods covered by the option to terminate the lease are also included, if it is reasonably certain that this option will not be exercised.

The Group has the option, under some of its contracts, to lease the assets for additional terms. The Group assesses whether it is reasonably certain it will exercise the renewal option. That is, it considers all relevant factors that create an economic incentive to renew. After the start date, the Group reassesses the lease term if there is a significant event or a change in circumstances that is under its control and affects its ability to exercise, or not, the renewal option. The Group included the renewal period as part of the lease term of industrial plants mainly due to the relative importance of these assets for their operations. These leases have a short non-cancellable period and there would be a negative effect on production if the replacement does not take place easily.

2.11 Financial assets

Classification

The Group classifies its financial assets in the following valuation categories:

- those that are valued at fair value (either through other comprehensive income or through profit and loss),

- those that are valued at amortised cost

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, profit and loss shall be recognised in income or other comprehensive income. Investments in net equity instruments that are not held for trading will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in net equity at fair value through other comprehensive income.

The Group reclassifies investments in financial assets only when its business model to manage those assets changes.

Recognition and assessment

Conventional purchases or sales of financial assets shall be recognised and written off, as the case may be, using the accounting for the trading date or the settlement date. Financial assets are written off in the balance sheet when the contractual rights on cash flows have expired or been transferred and the Group has substantially transferred all the risks and benefits arising from ownership of the asset.

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the costs of the operation that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded in the profit and loss account.

Subsequent valuation

Debt instruments

There are three valuation categories in which the Group classifies its debt instruments:

- The amortised cost: The assets held for the collection of contractual cash flows when these cash flows represent only principal and interest payments are measured at amortised cost. Income from interests in these financial assets is included in the financial income according to the cash interest rate method. A profit or loss arising from the write off is recognised directly in income and is presented in other net profit/(loss), together with profit and loss arising from exchange differences. Impairment losses are presented as a separate item in the profit and loss account.

- Fair value through other comprehensive income: The assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows of the assets represent only principal and interest payments, are measured at fair value through other comprehensive income. Transactions in the carrying amount are carried to other comprehensive income, except for the recognition of profit or loss from impairment of value, ordinary income from interest, and profit or loss from exchange differences that are recognised in income. When the financial asset is written off, the accumulated profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other profit/(loss). Income from interests in these financial assets is included in the financial income according to the cash interest rate method. Profit and losses from exchange differences are presented in other profit/(loss) and the impairment expense is presented in a separate item in the profit and loss account.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or for fair value through other comprehensive income are recognised at fair value through profit or loss. A profit or loss on an investment in debt that is recognised after fair value through profit or loss is recognised in income and is presented net within other profit/(loss) in the financial year in which it arises.

Equity instruments

The Group does not hold this type of instrument.

Impairment losses of non-financial assets

The Group assesses, on a prospective basis, the credit losses expected related with its debt instruments recorded at amortised cost and at fair value through other comprehensive income. The methodology applied to value impairment depends on whether there has been a significant increase in credit risk.

The value correction due to losses of financial assets is based on the hypothesis of compliance risk and expected loss rates. The Group uses its judgement when making these assumptions and selecting the variables for the calculation of the value impairment based on historical impairment losses, the existing market conditions as well as the forward-looking estimates at the end of each reported year.

For trade accounts receivable, the Group applies the simplified approach allowed by IFRS 9, which requires that the expected losses be recognised from the initial recognition of accounts receivable. The provision for impairment to be recognised for expected losses is applied as a coefficient based on the history of defaults in recent years, taking into account the insurance coverage contracted, which is adjusted to reflect the macroeconomic environment, the current market and the risk per customer.

2.12 Derivative financial instruments and hedging activity

Derivatives are initially recognised at fair value on the date on which the derivative contract is signed and they are revalued subsequently at their fair value on the date of each balance sheet. The accounting method of the subsequent changes in the fair value depends upon whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the beginning of the hedge relationship, the Group documents the financial relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset the changes in the cash flows of the hedged items. The Group documents its risk management objective and its strategy to take on its hedging transactions.

The fair values of financial derivative instruments used for hedging purposes are disclosed in Note 11. The transactions in the hedging reserve included in net equity of the shareholders are shown in the consolidated statement of comprehensive income. The entire fair value of a hedging derivative is classified as a non-current asset or liability if the maturity of the remaining hedged item is higher than 12 months; and as a current asset or liability if the maturity of the remaining hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

a) Cash flow hedging

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the hedging cash-flow reserve within the net equity. The profit or loss relating to the ineffective portion is recognised immediately in profit or loss under “Change in fair value of financial instruments”.

When option agreements are used to hedge forecasted transactions, the Group designates only the intrinsic value of the option agreements as the hedging instrument.

Profit or losses corresponding to the effective part of the change in the intrinsic value of option agreements are recognised in the cash flow hedge reserve in net equity. Changes in the time value of option contracts that are related to the hedged item ("aligned time value") are recognised in other comprehensive income in the hedge cost reserve in net equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the counted component as the hedging instrument. Profit or losses related to the effective part of the change in the counted component of forward contracts are recognised in the cash flow hedge reserve in net equity. The change in the forward element of the contract related to the hedged item ("aligned forward element") is recognised in other comprehensive income in the hedge cost reserve in net equity. In some cases, profit or loss relating to the effective portion of the change in the fair value of the entire forward contract are recognised in the cash flow hedge reserve in net equity.

The amounts accumulated in net equity are reclassified in the financial years in which the hedged item impacts the income for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both the deferred hedged profit and loss, as well as the deferred time value or the deferred forward points, if any, are included in the initial cost of the asset. Deferred amounts are finally recognised in income for the financial year, since the hedged item impacts the result.

- The profit or loss on the effective portion of interest rate swaps that hedge variable rate loans is recognised in income within financial expenses at the same time as the interest expense on the hedged loans.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred profit or loss and hedge costs deferred in net equity at that time remain in equity until the forecasted transaction occurs, resulting in the recognition of a non-financial asset, such as inventories. When the anticipated transaction is no longer expected, the cumulative profit or loss and deferred hedge costs that were presented in net equity are immediately reclassified to profit or loss for the financial year.

b) <u>Hedging of net investments in foreign entities</u>

Exchange differences arising on a monetary item that is part of the net investment in a foreign company shall be recognised in the accumulated foreign exchange difference line. This difference shall be taken income on disposal or to the extent that the net investment is otherwise disposed of. Net investment in a foreign company is defined as the sum of the amount of the consolidated company's interest in the consolidated equity of a foreign company and any monetary item receivable from or payable to a group company from that foreign company, which is not expected or likely to be settled in the foreseeable future, excluding items of a commercial nature.

In the event that a partial disposal of the net investment in the foreign company would result in a recovery of the investment, the amounts accumulated in equity as a cumulative foreign exchange difference relating to that company shall be recognised in the consolidated income statement for the period in which the investment in the consolidated company is disposed of.

c) <u>Derivatives that do not qualify for hedge accounting</u>

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit and loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit and loss account.

d) Derivative embedded in refinanced debt

Based on the terms of the debt refinancing agreement (Note 20), the Group has identified an embedded derivative in the debt for the mechanism of converting part of the debt into shares of the Parent Company. At year end, the Group assesses the fair value of the option on the basis of the most probable conversion/exchange ratio established in the aforementioned agreement, which takes into consideration the potential debt to be converted at the estimated conversion date, less the fair value of the Tubos Reunidos shares to be converted at their market price on the closing date. The probability that the option will be exercised by the financial creditors is applied to this differential, based on the probability of default of Tubos Reunidos according to its estimated credit rating.

As at 31 December 2020, the debt considered for conversion purposes is estimated at 183 million euro, and the potential delivery of 95% of Tubos Reunidos shares is valued at 34 million euro based on the share price at that date. A default probability of 45% has been applied to the difference between the two amounts, considering the Group's estimated credit rating of Caa-C according to the Moody's scale.

2.13 Inventory

a) Emission allowances

Emission allowances allocated to the Group in accordance with the National Allocation Plan (Law 1/2005 of 9 March) are recorded as inventories, valued at fair value (market value at the time of allocation) with a credit to deferred income.

The emission allowances acquired subsequently, to meet the hedging requirements of the emission levels of gases produced by the Group, are valued at acquisition cost.

In any event, at each year-end, the valuation adjustment is made, if necessary, to measure the remaining emission allowances at the lower of acquisition cost and market value.

The amount recorded as deferred income is credited to results depending on the charge to expenses associated with emission allowances received free of charge.

Expenses generated by the emission of greenhouse gases are recorded in accordance with the use of emission allowances, assigned or acquired, as these gases are released in the production process, crediting the corresponding provision account for environmental actions. This provision made in the course of the year does not represent a debt of the Group company involving an outflow of funds, but is an accounting movement that is cancelled in the following year.

Emission allowances recorded as inventories are cancelled, as an offsetting entry to the provision for the costs generated by the emissions made, when they are delivered to the government to cancel the obligations incurred.

During financial year 2020, the Group sold part of the CO_2 rights assigned to it, obtaining a positive result amounting to 443,000 euro (257,000 euro in 2019) (Note 24). Therefore, as at 31 December, 2020, the Group has no emission allowances recorded in inventories (41,000 euro recorded as of 31 December 2019), having recorded the provision for the consumption of CO_2 rights for the year 2020 (Note 22).

b) Other inventories

Inventories are valued at cost or net realisable value, whichever is lower. The cost is mainly determined by the average method. The cost of finished goods and goods in progress includes the costs of raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling costs. Obsolete or slow-moving items are reduced to their realisable value.

2.14 Trade accounts receivable

Trade accounts receivable are amounts due from customers for sales of goods or services made in the ordinary course of business. If the debt is expected to be collected in one year or less, they are classified as current assets. Otherwise, they are presented as non-current assets.

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

Financing through discounting expenses is not written off under the customers' heading until collection thereof, being recorded as bank financing. In addition, certain contracts are entered into with banks whereby all risks and rewards, as well as control, of the receivables are transferred. In these cases, the receivables are written off in the balance sheet at the time of the transfer of risks and rewards to the bank.

For the coverage of certain customer default risks, collection insurance contracts are established to cover the risk of non-payment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in credit institutions, other short-term high liquidity investments with an original maturity of three months or less and bank overdrafts. On the balance sheet, bank overdrafts are classified as external funds in current liabilities.

2.16 Share capital

Ordinary shares are classified as net equity.

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

When any Group company acquires shares of the Parent Company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from net equity attributable to net equity holders of the Company until cancellation, reissue or disposal. When these shares are subsequently reissued, all amounts received, net of any directly attributable incremental transaction costs and related income tax effects, are included in net equity attributable to net equity holders of the Company.

2.17 Trade accounts payable

Trade payables are payment obligations for goods or services acquired from suppliers in the ordinary course of business. Payables are classified as a current liability if payments are due in one year or less. Otherwise, they are presented as non-current assets.

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

2.18 Borrowings

Borrowings are initially recognised at fair value less any transaction costs incurred. Subsequently, borrowings are valued at amortised cost; any difference between the amount received (net of transaction costs) and the amortised value is recognised in the profit and loss account during the amortisation period of the external resources using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

Financial debt is eliminated from the balance sheet when the obligation specified in the agreement has been paid, cancelled or has expired. The difference between the carrying amount of a financial liability that has been cancelled or assigned to another party and the consideration paid, including any asset assigned other than the cash or liability assumed, is recognised in the profit and loss account of the financial year as other financial income or expenses.

2.19 Current and deferred taxes

The Parent Company has filed consolidated tax returns with certain subsidiaries (Note 29).

The tax expense for the period includes current and deferred taxes. Taxes are recognised in income statements, except to the extent that they relate to items recognised in other comprehensive income or directly in net equity. In this case, taxes are also recognised in other comprehensive income or directly in net equity, respectively.

The current tax expense is calculated based on the legislation adopted at the balance sheet date in the countries in which the Parent Company and its subsidiaries operate and generate positive tax bases. Management periodically assesses the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

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

Deferred tax assets are assigned to the extent that it is likely that there will be sufficient future taxable profits against which to offset the temporary differences. In the case of investment tax credits and deductions for R&D, the counterpart of the amounts assigned is the deferred Income account. The accounting allocation, as a deduction of expenses, is accrued on the basis of the period in which the property, plant and equipment are depreciated and the R&D expenses that have generated the tax credits are amortised. Tax expense / income for deductions of property, plant and equipment and intangible assets is included in the operating income.

Deferred tax liabilities are recognised on taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, except for those deferred tax liabilities for which the Group can control the date on which the temporary differences will reverse and it is probable that the temporary differences will not reverse in the foreseeable future. Usually the Group is not able to control the reversal of temporary differences for associates. Only when there is an agreement that gives the Group the ability to control the reversal of the temporary difference is it not recognised.

Deferred tax assets are recognised for deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and sufficient taxable profit is expected to be available against which the temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities arise from income taxes levied by the same taxation authority on the same taxable entity or taxable person, or different taxable entities or taxable persons, who intend to settle the current tax assets and current tax liabilities on a net basis.

2.20 Employee benefits

a) Pension obligations

In certain Group companies, various pension plans are active, in all cases financed via defined contributions to external Voluntary Social Welfare Entities (entidades de previsión social voluntaria, or EPSV). The members of these plans are the employees of Tubos Reunidos, S.A., Tubos Reunidos Industrial, S.L. (Sole-Shareholder Company) and Productos Tubulares, S.A. (Sole-Shareholder Company) (1237 members in 2020 and 1248 members in 2019) who have voluntarily joined the Company.

A defined contribution plan is a pension plan in which fixed contributions are made to a separate entity on a contractual basis, without the Group having any legal or constructive obligation to make further contributions if the fund does not have sufficient assets to pay all employees benefits relating to services rendered in the current and prior periods.

The company does not assume any risk for the capitalisation period of contributions, nor does it guarantee a minimum interest to members.

The contributions are recognised as employee benefits when accrued.

b) Severance pay

Severance benefits are paid to employees following the Group's decision to terminate their employment contract before the normal retirement age or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits on the first of the following dates: a) when it has demonstrably undertaken to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or b) when the entity recognises costs for a restructuring within the scope of IAS 37 and this involves severance pay. When an offer is made to encourage the voluntary resignation of employees, severance payments are valued according to the number of employees expected to accept the offer. Benefits that will not be paid within twelve months of the balance sheet date are discounted to their present value.

c) Variable remuneration plans

The Group recognises a liability and an expense in certain Group companies as variable remuneration based on formulas that take into account business performance and results. The Group recognises a provision when it is under contractual obligation or, for any other reason, such remuneration is required.

2.21 Provisions

Provisions for specific risks and expenses are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be estimated reliably.

No provisions for future operating losses are recognised.

When there is a number of similar obligations, the likelihood that an outflow for settlement is required is determined by considering the type of obligations as a whole. Provisions are recognised even if the probability of an outflow with respect to any item included in the same type of obligation may be small.

Provisions are measured at the present value of the expenditure 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 the passage of time is assigned as interest expense.

2.22 Income recognition

Income from customer contracts is recognised based on compliance with performance obligations to customers.

Ordinary income represents the transfer of committed goods or services to customers for an amount that reflects the consideration to which Tubos Reunidos expects to be entitled in exchange for these goods and services.

Five steps are set out for the recognition of income:

1. Identify contract(s) with customers.
2. Identify performance obligations.
3. Determine the price of the transaction.
4. Assign the transaction price to the different performance obligations.
5. Recognise income according to the fulfilment of each obligation.

Based on this recognition model, sales of goods are recognised when the goods have been delivered to the customer and the customer has accepted them or, if applicable, the services have been rendered and the collection of the related receivables is reasonably assured.

Ordinary income is presented net of value added tax and any other amount or tax, which in substance corresponds to amounts received on behalf of third parties.

2.23 Distribution of dividends

The distribution of dividends to shareholders is recognised, if outstanding, as a liability in the Group's consolidated annual accounts for the financial year in which dividends are approved by the General Shareholders' Meeting and/or the Board of Directors of the Parent company.

2.24 Environment

Costs arising from business actions aimed at protecting and improving the environment are expensed in the financial year in which they are incurred. When these expenses involve additions to property, plant and equipment, the purpose of which is to minimise environmental impact and to protect and improve the environment, they are recognised as additions to property, plant and equipment.

Expenses generated by the emission of greenhouse gases (Law 1/2005 of 9 March) are recorded, valued at the fair value or cost of the allowances awarded or acquired, as these gases are emitted in the production process, crediting the corresponding provision account.

3. Management of financial risk

3.1 Financial risk factors

The Group's activities are exposed to determined financial risks: market risk, credit risk, liquidity risk and risk of changes in prices of raw materials.

The risk management process is driven by the Board of Directors and the Management Team and is intended to provide reasonable assurance in achieving the objectives set out by the Group, providing the various stakeholders and the market in general with an appropriate level of guarantee that reasonably ensures the protection of the value generated.

The Group's Economic Management, which relies on the operating units of each of the companies that make up the Group, identifies and manages the financial risk to which the Group is exposed, in accordance with the guidelines and directives set out by the Board of Directors.

a) <u>Market risk</u>

(i) Exchange rate risk

The Group operates internationally and is therefore exposed to foreign exchange rate risk due to its transactions in foreign currencies, especially in the US dollar.

The exchange rate risk arises when future commercial transactions or assets or liabilities recognised are denominated in a currency other than the functional currency of the entity performing the transaction. The Economic Department identifies, assesses and manages the foreign currency exchange rate risk against the functional currency, according to the guidelines established by the Board of Directors. The exchange rate risk arises mainly from sales made in US dollars, which, during financial year 2020, amounted to 101 million euro (144 million euro in 2019), and purchases of raw materials and other supplies during 2020, which represented an expenditure of 27 million euro (41 million euro in 2019).

The Group uses derivative financial instruments (exchange rate hedges) to hedge or reduce the risk of exchange fluctuations in the operations described.

If the euro had weakened/strengthened by 5% against the US dollar during financial year 2020, with all other variables remaining equal, the result after tax for the year would have been 5.3 million euro (2019: 5.2 million euro) higher/lower.

The Group is exposed to exchange rate fluctuations on net investments abroad. The assets held in these companies amounted to 21 million euro as of 31 December 2020 (51 million euro as of 31 December 2019).

(ii) Interest rate risk of borrowings

This risk focuses on long-term financial debt with variable rates. During financial years 2020 and 2019, the Group's loans with variable interest rates are mostly denominated in euro. Management maintains a policy of permanent monitoring of the development of these rates and the effect of a hypothetical change in interest rates in the consolidated annual accounts of the Group.

Therefore, financial debt at a fixed rate is not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate due to a change in market interest rates. As at 31 December 2020, around 56% of the Group's debt is at a fixed rate (58% of the debt as at 31 December 2019) (Note 20).

As at 31 December 2020 and 2019, the Group does not have interest rate swaps.

The result for the year is sensitive to the direct effects of a change in rates on variable-rate financial instruments recognised in the consolidated balance sheet. The sensitivity of the Group's profit and loss account to a half percentage point change in interest rates in 2020 would result in an increase/decrease of around 7% (14% in 2019) in current costs and would have an effect of approximately 2% on financial expense in 2020 (4% in 2019).

b) Credit risk

Credit risk arises from cash and equivalent liquid assets, derivative financial instruments and deposits with banks and financial institutions as well as from credit exposure to customers, including trade receivables and agreed transactions.

Regarding the risk from sales operations, the Group has policies in place to ensure the maximum possible amount of all sales are carried out hedging the credit risk and ensuring collection.

All the Group's customers have their corresponding risk rating. Upon receipt of the order, the solvency of each customer is analysed and risk coverage is requested from the insurance company. The insurance contract is entered into with Spanish insurance company CESCE (Compañía Española de Seguro de Crédito a la Exportación).

To accept an order, its credit risk must be covered by CESCE. Otherwise the order is suspended pending other possible risk coverage such as: customer guarantees (confirmed letter of credit, confirming, etc.), factoring/forfaiting and, as a last resort, advance payment. In addition, the Group transfers a portion of its receivables without recourse to various financial institutions and, therefore, as it transfers the risks and rewards, it writes off the amounts of the aforementioned transferred receivables from customer balances. As at 31 December 2020, the Group has written off an amount of 24 million euro under various non-recourse factoring contracts (40.1 million euro in 2019). The limit of these contracts is 55 million euro (55.7 million euro as at 31 December 2019).

82% of the Group’s sales have been insured by CESCE (81% in 2019). The Group has no significant concentrations of credit risk.

c) Liquidity risk

A sound management of liquidity risk implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the capacity to settle market positions.

Given the dynamic nature of the business of each of the Group companies, the operating units of each component, under the coordination of the Group's General Management, aim to maintain flexibility in financing through the availability of committed credit lines. In addition, the Group uses liquid financial instruments (non-recourse factoring through which the risks and benefits of receivables are transferred) to maintain liquidity levels and the structure of working capital required in its business plans.

The comprehensive control of working capital, in conjunction with additional available liquidity, and ongoing monitoring of debt levels and cash generation can adequately control the liquidity risk of the business.

Since the outbreak of the COVID-19 pandemic, the Group has entered into an additional financing contract and renegotiated certain conditions of the refinancing agreement (Note 20), in order to obtain additional funds to mitigate the liquidity tensions that have arisen, to be able to continue its operations and to implement the measures proposed in the 2021–2024 Strategic Plan.

(In thousands of euro)

Regarding financial liabilities, the table below displays the list of the Group's financial liabilities, grouped by maturity, and which will be settled in accordance with the terms pending at the balance sheet date up to the due date stipulated in the contract. The amounts displayed under the heading correspond to the cash flow (including interest) stipulated in the contract without any deduction.

	Less than 1 years	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
At 31 December 2020					
Borrowings	8508	15,383	43,005	342,680	409,576
Other accounts payable	80,443	6740	6543	2871	96,597
At 31 December 2019					
Borrowings	31,253	14,945	53,194	306,190	405,582
Other accounts payable	84,349	4483	11,418	3214	103,464

d) Risk of changes in raw material prices

With regard to the risk of fluctuations in the price of raw materials, mainly scrap metal and ferroalloys, the Group companies protect themselves against this typical risk by diversifying their markets and suppliers, by permanently and promptly monitoring supply and demand, and by managing the volumes in stock.

3.2 Fair value estimate

The following table presents an analysis of the financial instruments that are measured at fair value, classified using the equity method. The different levels have been defined as follows:

- Listed prices (unadjusted) on assets markets for similar assets and liabilities (Level 1).
- Data other than the listed prices included in Level 1 that are observable, either directly (e.g. reference prices) or indirectly (e.g. derived from prices) (Level 2).
- Data for the asset or liability not based on observable market data (i.e. non-observable inputs) (Level 3).

The following table shows the assets and liabilities of the Group at fair value at 31 December 2020 and 2019:

2020 Financial Year

	Level 1	Level 2	Level 3	Total 31/12/2020
ASSETS				
Embedded derivative due to debt convertibility (Note 11)	-	-	67,028	67,028
TOTAL ASSETS AT FAIR VALUE	**-**	**-**	**67,028**	**67,028**

2019 Financial Year

	Level 1	Level 2	Level 3	Total 31/12/2019
ASSETS				
Trading derivatives				
Exchange rate derivatives	-	30	-	30
TOTAL ASSETS AT FAIR VALUE	**-**	**30**	**-**	**30**

(In thousands of euro)

The fair value of financial instruments traded in active markets is based on market prices as of the balance sheet date. The quoted market price used for financial assets is the current bid price. These instruments are included in Level 1. A market is considered active when quoted prices are readily and regularly available from a stock exchange, financial intermediaries, a sector-specific institution, pricing service or regulatory agency, and those prices reflect current market transactions that occur regularly, between parties acting in mutually independent conditions.

The fair value of financial instruments that are not listed in an active market is determined using valuation techniques. Group companies use a variety of methods such as discounted cash flow estimates and make assumptions that are based on existing market conditions at each balance sheet date. These methods include quoted market prices or prices set by financial intermediaries for similar instruments. The fair value of forward exchange rate contracts is determined using forward exchange rates quoted in the market at the balance sheet date. The carrying amount of trade receivables and payables is assumed to approximate fair value. The fair value of financial liabilities for the purpose of financial reporting is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

If all the data necessary to assess a financial instrument at fair value are observable in the market, the financial instrument is included in Level 2.

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

3.3 Capital risk management

The Group's objectives in relation to capital management are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders. For this purpose, it tries to keep an optimal capital structure by reducing the cost thereof.

The Group monitors capital according to the leverage ratio, in line with industry practice. This ratio is calculated as borrowings and other liabilities less cash and equivalents and other current financial assets divided by total capital. Total capital is calculated as net equity, as shown in the consolidated accounts, plus the concept explained above.

Leverage ratios as of 31 December 2020 and 2019 are as follows:

	2020	**2019**
Borrowings and other liabilities (*)	286,962	280,441
Less: Cash and equivalents and other current financial assets	(21,340)	(21,038)
	265,622	259,403
Net equity	(28,584)	68,503
Total capital	237,038	327,906
Leverage ratio	112.06%	79.11%

(*) "External funds and other liabilities" include long and short-term borrowings (Note 20), suppliers of property, plant and equipment, debts to government agencies for subsidised loans and deferred debts with public administrations (Note 19).

4. Accounting estimates and calculations

Estimates and judgements are continually assessed and are based on historical experience and other factors, including expectations of future events that are deemed reasonable under the circumstances.

4.1 Significant accounting estimates

The Group makes estimates and judgements concerning the future. The estimates and judgements that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are explained below.

1. Financial situation of the group and going concern

During 2020 and mainly due to the impacts of the pandemic, the Group has incurred losses of 97.905 million euro, also affecting the temporary rhythm of cash generation, which has determined the formalisation, in May 2020, of extraordinary financing for an amount of 15 million euro, partially guaranteed with the State guarantee line managed by the Official Credit Institute (Instituto de Crédito Oficial, or ICO), and the novation of the framework agreement of the restructuring that was signed at the end of 2019.

As a result of the pandemic, its impact on the global economy and on the Group's performance in 2020, the Board of Directors has updated the Group's Strategic Plan to adapt to the situation and define its long-term objectives.

To address this Strategic Plan, carry out the actions detailed therein, partially cover working capital needs and, therefore, provide the Group with resources that will enable its future viability, the Group requested, on 18 November 2020, temporary public support in the amount of 112.8 million euro from the Support Fund for the Solvency of Strategic Companies affected by the pandemic in accordance with Royal Decree-Law 25/2020 of 3 July on urgent measures to support economic recovery and employment.

This Fund is managed through the Sociedad Estatal de Participaciones Industriales (SEPI), by a Management Board, a collegiate inter-ministerial body affiliated with the Ministry of Finance, through the Under-Secretariat of Finance.

The aid takes the form of an equity loan in favour of the Group and a novation of the conditions signed with the Group's main financial creditors.

The process of obtaining the requested temporary aid requires the fulfilment of a series of requirements and prior authorisations, including initial approval of the application by the Board and subsequent final approval by the Council of Ministers, with a tentative period of one week elapsing between the two milestones.

The Board of Directors considers that, although at the date of preparation of these Consolidated Annual Accounts the Management Board has not yet approved the application submitted by the Group, the requested aid will eventually be obtained and the Group will have the necessary resources to meet the objectives of its Strategic Plan, and therefore considers that the going concern principle is applicable for the preparation of the Consolidated Annual Accounts.

2. Asset impairment

The Group verifies whether assets have been impaired at least once a year. In particular, in the year 2020 the Directors believe that the pandemic situation alone generates indications of impairment. Accordingly, an analysis has been carried out at the date of preparation of these consolidated annual accounts to determine the recoverable amount of the assets. To determine this recoverable amount, the expected future cash flows of the assets or the cash-generating units of which they form part have been estimated and an appropriate discount rate has been used to calculate their current value. Future cash flows depend on whether expectations for the next four financial years are met, while discount rates depend on the interest rate and the risk premium associated with each cash-generating unit. The hypotheses used in the impairment analyses (and other related information) are included in Note 6.

3. Fair value of the derivative associated with the debt

As indicated in Note 20, in the refinancing agreement entered into in December 2019 and novated in May 2020, the conversion mechanism for part of the debt, which contains an embedded derivative, is identified as a hybrid instrument. As at 31 December 2019, the Group estimated the value of the conversion option to be nil, as it considered that it was on track to meet its business plan. However, Group management, taking into account the situation caused by the COVID-19 pandemic and its impact on the Group's debt risk, considers that the derivative has assumed value as at 31 December 2020, recording an income of 67.028 million euro in relation to the fair value of the derivative.

In this respect, Group management considers that changes of more than 10% (positive or negative) in the estimates made on the valuation of the embedded debt derivative would have an effect of approximately 7 million euro on the consolidated profit and loss account for the year 2020.

4. Tax on profits and deferred tax assets

The legal status of the tax legislation applicable to certain Group companies implies that there are estimated calculations and an uncertain final quantification of the tax. The tax calculation is made based on the best estimates of the Group's Management according to the current tax legislation status and taking into account expected developments (Note 29). When the final tax result differs from the amounts that were initially recognised, the differences are recognised under income tax in the year in which they become apparent.

The deferred tax assets are recorded for all deductible temporary differences, tax loss carry-forwards and deductions still to take effect for which it is likely that the Company and/or tax group to which they belong will have future tax profit that enable the application of these assets. At the date of preparation of these consolidated financial statements, the directors of the Parent Company consider that the Group will comply with its Business Plan. However, in view of the history of losses in recent years and in accordance with current accounting legislation, the Group maintains the deferred tax assets recognised at the same level as the deferred tax liabilities (Note 21).

5. Useful life of property, plants and equipment

The Group Management determines the estimated useful lives and the corresponding charges for amortisation for its factory and equipment. This estimate increases/decreases the amortisation charge when the useful lives are inferior/superior to the previously estimated lives or amortises or removes technically obsolete or non-strategic assets that have been abandoned or sold.

Annually, the useful lives assigned to the various assets of the Group are reassessed. The analysis for the years 2020 and 2019 did not reveal any significant changes in the amortisation periods.

4.2 Significant judgements in applying accounting policies

The most significant judgements and estimates that have had to be taken into account in the implementation of accounting policies described in Note 2 above are:

a. Control over Tubos Reunidos Premium Threads, S.L.

The Group holds an investment of 51% in the subsidiary Tubos Reunidos Premium Threads, S.L. (TRPT), which has been fully consolidated since it is considered that control over this subsidiary is maintained. In order to reach this conclusion, aspects such as the shareholders' agreement, the relevant activity of the company, the management and exposure to the existing business, the management of the plant and its costs and others have been analysed. The main activity of TRPT is pipe threading through manufacturing arrangements for the other subsidiary of the Group (TRI), with TRI being its sole customer. Furthermore, this relevant activity is controlled by the Group, as the resolutions requiring a reinforced majority on the Board are of a protective nature (such as, for example, the adoption of resolutions on the distribution of dividends, the approval of certain levels of investment and debt, etc.), with the majority of Tubos Reunidos' Board members deciding on the management of costs, contracted volume, personnel management or production management, with the Group therefore controlling the management of exposure to marginal profit/loss in production activity.

b. Density estimation of scrap metal in the physical inventory count during the volume calculation process.

At year-end, a physical inventory of scrap metal is carried out to estimate existing tonnes. This process is performed by calculating the volume of the existing scrap in the park and applying the estimated density. During the year, adjustments are carried out (when the stock is at or close to zero) and follow-ups are performed on the basis of new purchases that allow for a detailed estimation of the density to be considered in the volume calculation and inventory process.

c. Estimate of the related provisions for probable or certain claims and liabilities arising from ongoing litigation or from obligations arising from the Group's business. (Notes 2.20 and 22).

5. Segment reporting

The Board of Directors has been identified as the most senior decision-making entity of the Group. This body reviews the Group's internal financial reporting, evaluating its performance and allocating funds to the segments.

(In thousands of euro)

Management has identified segments from the perspective of the geographical location of the main companies in the Group: Tubos sin soldadura España and Tubos sin soldadura Estados Unidos.

The Board of Directors assesses the performance of the operating segments primarily on the basis of earnings before interest, tax, depreciation and amortisation (EBITDA). This valuation basis may not include the effects of non-recurring expenses or those arising from one-off atypical transactions, in which case they are explained in the consolidated annual accounts. The segmented information received by Management also includes financial revenue and expenditure and tax matters, although the latter are analysed together at the Group level.

a) Segmented information

The results by segment for the financial year ended 31 December 2020 are as follows:

	Spain	United States	Group
Total gross sales for the segment	236,862	35,895	272,757
Inter-segment sales	(29,885)	(1211)	(31,096)
Sales	206,977	34,684	241,661
EBITDA (*)	(7303)	(7937)	(15,240)
Operating income	(117,434)	(20,028)	(137,462)
Net financial costs	41,913	(2363)	39,550
Profit before taxes	(75,521)	(22,391)	(97,912)
Income tax	(123)	13	(110)
External partners (Note 17)	117	-	117
Results of financial year	(75,527)	(22,378)	(97,905)

The results by segment for the financial year ended 31 December 2019 are as follows:

	Spain	United States	Group
Total gross sales for the segment	264,526	68,924	333,450
Inter-segment sales	(45,675)	(3333)	(49,008)
Sales	218,851	65,591	284,442
EBITDA (*)	4362	(15,800)	(11,438)
Operating income	(33,609)	(17,728)	(51,337)
Net financial costs	13,179	(880)	12,299
Profit before taxes	(20,430)	(18,608)	(39,038)
Income tax	(7079)	978	(6101)
External partners (Note 17)	3664	-	3664
Results of financial year	(23,845)	(17,630)	(41,475)

(*) EBITDA calculated as operating income plus the depreciation expense, plus impairments of property, plant and equipment, intangible assets and real estate investments, plus the impairment of tax credits.

(In thousands of euro)

Other items from the segments included in the profit and loss account are as follows:

	2020			2019		
	Spain	**United States**	**Group**	**Spain**	**United States**	**Group**
Amortisation of property, plant and equipment (Note 6)	16,786	2406	19,192	19,141	1896	21,037
Amortisation of intangible assets (Note 7)	2072	32	2104	2734	33	2767
Amortisation of real estate investments (Note 9)	57	-	57	76	-	76
Provision/(reversal) for impairment of intangible assets (Note 7)	985	-	985	-	-	-
Impairment of real estate investments and property, plant and equipment (Notes 6 and 9)	88,310	10,303	98,613	4440	-	4440
Provision/(Reversal) (net) for impairment of inventories (Note 13)	3580	2879	6459	(2704)	5923	3219
(Net) impairment losses for trade receivable and commercial guarantees (Notes 12, 22 and 26)	(265)	733	468	40	-	40

The transactions between segments are carried out on usual commercial terms.

Segment assets and liabilities as at 31 December 2020 and investments in property, plant and equipment during the year ended on that date are as follows:

	Spain	**United States**	**(*) Consolidation adjustments**	**Group**
Total assets	457,167	21,016	(127,048)	351,135
Total liabilities	537,094	48,284	(205,659)	379,719
Investments in property, plant and equipment (Notes 6 and 7)	3928	41	-	3969

(*) These consolidation adjustments essentially correspond to eliminations of loans and trade balances between group companies.

Segment assets and liabilities as at 31 December 2019 and investments in property, plant and equipment during the financial year ended on that date are as follows:

	Spain	**United States**	**(*) Consolidation adjustments**	**Group**
Total assets	636,871	51,199	(227,578)	460,492
Total liabilities	562,284	58,185	(228,480)	391,989
Investments in property, plant and equipment (Notes 6 and 7)	5028	113	-	5141

(*) These consolidation adjustments essentially correspond to eliminations of loans and trade balances between group companies.

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

b) Information on geographic areas and customers

Spain is the Parent Company's country of origin, which is, in turn, the headquarters of the Group's main operating companies.

(In thousands of euro)

The Group's sales, allocated on the basis of the country in which the customer is located, are mainly made in the following markets:

	2020	2019
Sales		
Spain	36,186	30,042
Rest of European Union	60,824	69,587
United States of America	57,984	98,345
Rest of World	86,667	86,468
Total sales	241,661	284,442

The Group's sales, allocated based on groups of products, are mainly made in the following markets:

	2020	2019
Sales		
Power generation, refining and petrochemical	106,165	100,000
Oil & gas - OCTG	45,402	86,273
Oil & gas - Piping	42,866	45,638
Construction, mechanical and industrial	32,055	38,257
Other sectors*	15,173	14,274
Total sales	241,661	284,442

The Group's assets are located in the following countries:

	2020	2019
Total assets		
Spain	330,246	409,577
United States of America	20,889	50,915
Total assets	351,135	460,492

Almost all investments in property, plant and equipment and other intangible assets were made in plants located in Spain.

(In thousands of euro)

6. Property, plant and equipment

The details and transactions of the various property, plant and equipment categories are shown in the table below:

2020 Financial Year

	Land and buildings	Technical installations and machinery	Other installations, tools and furniture	Under constructio n and advances	Other fixed assets	Total
COSTS						
Initial balance	167,971	604,940	24,148	85	23,573	820,717
Additions	121	1951	940	-	449	3461
Withdrawals	-	-	(2224)	-	(832)	(3056)
Transfers	-	3693	-	(85)	2414	6022
Exchange differences	(933)	(2183)	(20)	-	-	(3136)
Final balance	167,159	608,401	22,844	-	25,604	824,008
AMORTISATIONS						
Initial balance	58,159	438,033	3202	-	15,592	514,986
Allocations	2131	16,536	159	-	366	19,192
Withdrawals	-	-	(4)	-	-	(4)
Exchange differences	(117)	(693)	(20)	-	-	(830)
Final balance	60,173	453,876	3337	-	15,958	533,344
IMPAIRMENT						
Initial balance	-	16,145	-	-	-	16,145
Allocations	31,540	66,847	-	-	-	98,387
Exchange differences	-	(1008)	-	-	-	(1008)
Final balance	31,540	81,984	-	-	-	113,524
NET VALUE						
Initial	109,812	150,762	20,946	85	7981	289,586
Final	75,446	72,541	19,507	-	9646	177,140

(In thousands of euro)

2019 Financial Year

	Land and buildings	Technical installations and machinery	Other installations, tools and furniture	Under constructio n and advances	Other fixed assets	Total
COSTS						
Initial balance	167,809	602,141	24,940	-	23,726	818,616
Additions	69	2686	1347	85	432	4619
Withdrawals	(115)	(377)	(2144)	-	(585)	(3221)
Exchange differences	208	490	5	-	-	703
Final balance	167,971	604,940	24,148	85	23,573	820,717
AMORTISATIONS						
Initial balance	55,919	420,072	3009	-	15,176	494,176
Allocations	2226	18,203	192	-	416	21,037
Withdrawals	-	(319)	(3)	-	-	(322)
Exchange differences	14	77	4	-	-	95
Final balance	58,159	438,033	3202	-	15,592	514,986
IMPAIRMENT						
Initial balance	-	12,045	-	-	-	12,045
Allocations	-	4000	-	-	-	4000
Exchange differences	-	100	-	-	-	100
Final balance	-	16,145	-	-	-	16,145
NET VALUE						
Initial	111,890	170,024	21,931	-	8550	312,395
Final	109,812	150,762	20,946	85	7981	289,586

The investments for the current financial year and for 2019 correspond mainly to replacement investments.

The Group has recorded write-offs of tooling and spare parts, included under the headings "Other technical installations, tools and furniture" and "Other property, plant and equipment", as consumption of materials under the heading "Other expenses" in the consolidated profit and loss account. During 2020, this amount totalled 3.052 million euro (2.720 million euro in 2019).

a) Fully amortised items

The items of property, plant and equipment that are fully depreciated at 31 December 2020 and 2019 are as follows:

	2020	2019
Buildings	27,400	23,516
Technical installations and machinery	287,673	267,459
Other installations, tools and furniture	2333	2193
Other property, plant and equipment	13,984	13,800
	331,390	306,968

b) Property, plant and equipment subject to guarantees

The Group has property, plant and equipment secured by mortgages for borrowings and other payables with an outstanding balance of 122 million euro as at 31 December 2020 (31 December 2019: 102 million euro) (Note 33).

c) Insurance

The Group has taken out insurance policies that it considers sufficient to cover the risks to which its property, plant and equipment are subject.

d) Losses due to value impairment

The Group's management has prepared the mandatory asset impairment analysis, taking into account the 2021–2024 Strategic Plan approved by the Board of Directors in November 2020, which was developed following the outbreak of the COVID-19 pandemic (Note 1.2).

The Strategic Plan includes the following main assumptions:

- Focusing sales on products in all sectors (Upstream, Midstream, Downstream and Mechanical) that maximise the Group's added value, with a particular focus on Midstream and Downstream, giving priority to product mix and sales price over volumes.

- Greater and more structured implementation of the Group in Asia and the Middle East, enabling it to capture a greater volume of projects.

- Development of initiatives related to production processes to improve their performance and obtain efficiencies in the consumption of materials.

- Streamlining of the Group's cost structure.

- Digitisation of Group processes.

- Continuation of tariffs in the United States until 2024.

- The year 2021 is expected to be very severely affected by the current pandemic situation in all the Group's cash generating units (CGUs), with a gradual recovery from 2022 onwards, which will be reflected in the evolution of tonnes, product mix and sales prices.

- Update of assumptions regarding commodity prices and euro/US dollar exchange rate developments.

The projections prepared by Management cover a period of four years, considering the 2021–2024 period, and the recoverable amount of each CGU has been determined by value in use, with the exception of the RDT CGU, having considered its terminal value besides the above-mentioned four-year projection. External sources of information, such as industry reports, have been considered in these projections.

For the purpose of calculating the recoverable carrying amount of each CGU, except for the RDT CGU, property, plant and equipment and intangible assets and operating working capital at 31 December 2020 have been considered by homogenising estimated cash flows with respect to the recoverable amount.

Given the uncertainty arising from the COVID-19 pandemic, the Group has considered performing the impairment analysis of the Tubos Reunidos Industrial and Productos Tubulares CGUs as at 31 December 2020, based on three scenarios with the following weighting: central scenario 70%, pessimistic scenario 10% and optimistic scenario 20%.

Tubos Reunidos Industrial

As at 31 December 2020 and 2019, the Tubos Reunidos Industrial CGU includes the companies Tubos Reunidos Industrial, S.L.U., Tubos Reunidos Premium Threads, S.L. and Aceros Calibrados, S.A.U., engaged in the manufacture of seamless carbon and alloy steel pipes with small and medium diameters, pipe threading and cold pipe finishes.

Average turnover growth of approximately 30.3% is estimated for the 2022–2024 period, after overcoming a reduction of 12.9% in 2021 compared to the 2020 turnover (31 December 2019: 12.6% in the 2021–2023 period and in the context of the business plan in force at that time), resulting from a progressive recovery of volumes and, to a greater extent, from a change in the product mix and the entry into other markets in Asia and the Middle East. In addition, tariff measures have been considered to be in place for the entire life of the 2021–2024 plan.

In relation to production costs and other operating costs, these have been projected taking into account certain flexibility measures already considered in the plan previously in force. With regard to variations in the price of gas and electricity, no significant variations have been considered.

For the purposes of this analysis, progressive improvements in the EBITDA-to-sales ratio are being contemplated over the course of the plan, reaching an EBITDA-to-sales ratio of 8.7% in 2024 (31 December 2019 on the business plan in force at that date: 10.7% by 2023).

Cash flows beyond the four-year period are extrapolated using an estimated perpetual growth rate of 1.6% (1.5% at 31 December 2019). The discount rate used was 10.2% after tax (8.5% after tax at 31 December 2019). The discounted terminal value represents 117% of the total valuation (84% in 2019) given that it is influenced by the estimate of negative results in 2021 and 2022 and a recovery from 2023 onwards. The calculation methodology is to assume perpetual growth rate of a normalised flow based on the 2024 flow rate, including a 35% reduction in the cost of the tariff.

Based on the analysis performed, at 31 December 2020, the Group has recognised an impairment of 88 million euro under "Impairment of property, plant and equipment and real estate investments" in the consolidated profit and loss account.

Management has performed a sensitivity analysis of the plan, reducing the results by 5%, resulting in an additional impairment of 5 million euro (as at 31 December 2019, taking into account the assumptions and hypotheses considered in the plan in place at that date, no impairment was evident in this scenario). An additional sensitivity analysis has also been performed by increasing the WACC discount rate by 0.5% or considering a perpetual growth rate of 1%, implying an additional impairment of 6 million euro in both cases (at 31 December 2019, taking into account the assumptions and hypotheses considered in the plan in force at that date, no impairment was evident in any of the scenarios).

Productos Tubulares

As at 31 December 2020 and 2019, the Productos Tubulares CGU includes the assets to be recovered from Productos Tubulares, S.A.U. which is dedicated to manufacturing large seamless steel pipes.

Average revenue growth of 23.2% is estimated for the 2022–2024 period, after gradually overcoming a 20.7% reduction in revenue in financial year 2021 compared to revenue in financial year 2020 (31 December): 12.6% in the 2021–2023 period and in the context of the business plan in force at that time), resulting from a progressive recovery of volumes and, to a greater extent, by capturing orders for seamless steel pipes with a higher level of alloy, in large dimensions, and with a higher selling price, through commercial tactics adapted to such a strategy.

In relation to production costs and other operating costs, these have been projected taking into account certain flexibility measures already considered in the plan previously in force and which are expected to be implemented in 2021. With regard to variations in the price of gas and electricity, no significant variations have been considered.

For the purposes of this analysis, progressive improvements in the EBITDA-to-sales ratio are being contemplated over the course of the plan, reaching an EBITDA-to-sales ratio of 14.7% in 2024 (31 December 2019: 14.5% in 2023 based on the business plan in force on that date).

Cash flows beyond the four-year period are extrapolated using an estimated perpetual growth rate of 1.6% (1.5% 2019). The discount rate used was 9.8% after tax (8% in 2019). The discounted terminal value represents 86% of the total valuation (71% in 2019). The calculation methodology is to assume perpetual growth rate of a normalised flow based on the 2024 flow.

Based on the analysis performed, the Group has recognised an impairment loss of 0.3 million euro as at 31 December 2020 under "Impairment of property, plant and equipment and real estate investments" in the consolidated profit and loss account.

Management has performed a sensitivity analysis of the plan, reducing the results by 5%, resulting in an additional impairment of 5 million euro (as at 31 December, taking into account the assumptions and hypotheses considered in the plan in place at that date, no impairment was evident in this scenario). An additional sensitivity analysis has also been performed by increasing the discount rate by 0.5% or considering a perpetual growth rate of 1%, implying an additional impairment of 6 million euro (at 31 December, taking into account the assumptions and hypotheses considered in the plan in force at that date, no impairment was evident in this scenario).

RDT

In 2016, the Group acquired a business in the United States. Through RDT, the Group obtained comprehensive proprietary capabilities for processing and finishing, in the United States, its OCTG pipes manufactured in Spain.

RDT's CGU is analysed separately as RDT is considered a "finisher", i.e. as a supplier of pipe finishing services, a business and activity with margins different from those of the pipe manufacturing and sales business associated with TRI's and PT's CGUs.

Following the COVID-19 outbreak (Note 1.2), the visibility of the US-based OCTG market is reduced, with the result that the health crisis is affecting a sector marked in recent years by overcapacity and tariff restrictions. In this context, the Group's forecast for 2021 is for a significant reduction in activity, recovering progressively from the second half of 2022. Consequently, as at 31 December 2020, Group Management analysed the recoverable amount of the RDT CGU's property, plant and equipment (essentially land, buildings and machinery) at the fair value of the assets less selling costs, thereby considering a change in approach compared to 2019, when it determined the recoverable amount of the assets at their value in use.

From the above analysis, an impairment of 9.6 million euro was recognised as at 31 December 2020 under "Impairment of property, plant and equipment and real estate investments" in the consolidated profit and loss account (no impairment was recognised in 2019).

Management has performed a sensitivity analysis by reducing the fair value less selling costs by 5%, resulting in an impairment of 0.1 million euro.

Tubos Reunidos Premium Threads

While the Group has defined the company Tubos Reunidos Premium Threads as an integral part of the Tubos Reunidos Industrial CGU, given the situation of this newly created company, with significant losses since its incorporation since the necessary contracting volume has not yet been reached in order to absorb its costs, in financial year 2019, an impairment analysis of the assets of this plant was prepared as there were indications of impairment at this Company.

Based on this analysis, an impairment in the value of assets of 4 million euro was recognized in 2019.

Following the resolution of the shareholders at the end of financial year 2019 in relation to the continued operation and results of this Company, no additional impairment is evident in this financial year.

(In thousands of euro)

7. Intangible assets

The detail and movements of the main types of intangible assets, broken down by those internally generated and other intangible assets, are shown below:

2020 Financial Year

	IT applications	Development expenses	Patent concessions, Lic.	Other intangible assets	Total
COSTS					
Initial balance	4722	21,726	313	673	27,434
Additions	277	231	-	-	508
Transfers	-	-	-	-	-
Exchange differences	(9)	-	-	-	(9)
Final balance	4990	21,957	313	673	27,933
AMORTISATIONS					
Initial balance	3582	16,971	181	673	21,407
Allocations	378	1715	11	-	2104
Exchange differences	(8)	-	-	-	(8)
Final balance	3952	18,686	192	673	23,503
IMPAIRMENT					
Initial balance	-	667	-	-	667
Allocations	-	985	-	-	985
Final balance	-	1652	-	-	1652
NET VALUE					
Initial	1140	4088	132	-	5360
Final	1038	1619	121	-	2778

2019 Financial Year

	IT applications	Development expenses	Patent concessions, Lic.	Other intangible assets	Total
COSTS					
Initial balance	4432	21,493	313	673	26,911
Additions	289	233	-	-	522
Transfers	-	-	-	-	-
Exchange differences	1	-	-	-	1
Final balance	4722	21,726	313	673	27,434
AMORTISATIONS					
Initial balance	3205	14,592	170	673	18,640
Allocations	377	2379	11	-	2767
Final balance	3582	16,971	181	673	21,407
IMPAIRMENT					
Initial balance	-	667	-	-	667
Allocations	-	-	-	-	-
Final balance	-	667	-	-	667
NET VALUE					
Initial	1227	6234	143	-	7604
Final	1140	4088	132	-	5360

Development costs are amortised the moment pipes are manufactured with the new developments. As at 31 December 2020 and 2019, all projects are underway. Amortisation is on a straight-line basis over a period of 5 years.

(In thousands of euro)

The analysis of the recoverability of intangible assets is considered as part of the review of impairment losses mentioned in Note 6.d. However, when indications of impairment are detected because the future benefits derived from a development project do not cover the capitalised amounts of the project, a separate analysis is prepared. Consequently, during financial year 2020, an impairment amounting to 985,000 euro has been recognised in the consolidated profit and loss account. No evidence of impairment was detected during the analysis conducted in 2019.

The development projects activated by the Group are aimed at manufacturing larger sizes, new finishes and steels not previously produced by the Group, which will enable it to compete in previously inaccessible markets. These are projects to manufacture premium products with higher added value according to the Group's business plan (Note 6).

The net book value of development expenditure as at 31 December 2020 related to seamless pipe projects amounted to 1.6 million euro (31 December 2019: 4.1 million euro).

8. Right-of-use assets

The Group has leases for various buildings, machinery, vehicles and other equipment used in its operations.

The carrying amounts of right-of-use assets recognised and movements during the period are shown below:

2020 Financial Year

	Buildings	Machinery	Vehicles and others	Total
COSTS				
Initial balance	6428	1106	121	7655
Additions	-	-	194	194
Final balance	6428	1106	315	7849
AMORTISATIONS				
Initial balance	884	292	56	1232
Allocations	884	292	95	1271
Final balance	1768	584	151	2503
NET VALUE				
Initial	5544	814	65	6423
Final	4660	522	164	5346

(In thousands of euro)

2019 Financial Year

	Buildings	Machinery	Vehicles and others	Total
COSTS				
First implementation of NIIF 16	6670	1106	121	7897
Derecognitions	(242)	-	-	(242)
Final balance	6428	1106	121	7655
AMORTISATIONS				
First implementation of NIIF 16	-	-	-	-
Allocations	884	292	56	1232
Final balance	884	292	56	1232
NET VALUE				
Initial	6670	1106	121	7897
Final	5544	814	65	6423

The carrying amounts of lease liabilities and movements during 2020 and 2019 are as follows:

	2020	2019
Initial balance as at 1 January	6502	7897
Additions	194	-
Derecognitions	-	(240)
Accrued financial expenses	255	251
Payments	(1454)	(1406)
Final balance as at 31 December	5497	6502
Long-term lease liabilities (Note 19)	**4720**	**5110**
Short-term lease liabilities (Note 19)	**777**	**1392**

The amounts recognised in the consolidated profit and loss account for these leases in 2020 and 2019 are as follows:

	2020	2019
Depreciation of rights of use	(1271)	(1232)
Financial expenditure on lease liabilities	(255)	(251)
Expenses related to short-term leases and low value	(340)	(295)

9. Real estate investments

The details and movements of the real estate investments are shown in the table below:

	Costs	Amortisations	Impairment	Net Value
Initial balance at 1 January 2019	**8759**	**(1891)**	**(3120)**	**3748**
Derecognitions	(3588)	1327	725	(1536)
Allocations	-	(76)	(440)	(516)
Final balance at 31 December 2019	**5171**	**(640)**	**(2835)**	**1696**
Derecognitions	-	-	-	-
Allocations	-	(57)	(226)	(283)
Final balance at 31 December 2020	**5171**	**(697)**	**(3061)**	**1413**

(In thousands of euro)

Real estate investments comprise industrial buildings held for rent or subsequent sale.

The group measures real estate investments at the lower value between the acquisition cost and the fair value less selling costs, estimating the fair value based on the recent sales operations and/or studies carried out by independent experts.

During financial year 2019, a property was sold for a total amount of 1.6 million euro, without generating any profit or loss and previously recognised with an impairment of 0.4 million euro under "Impairment of property, plant and equipment and real estate investments" in the consolidated profit and loss account.

In 2020, based on observable market prices and available information, the Group recognised an impairment of 226,000 euro under "Impairment of property, plant and equipment and real estate investments" in the consolidated profit and loss account.

Revenue from real estate investment income amounted to 203,000 euro (252,000 euro in 2019). The operating and maintenance costs of the investments during 2020 and 2019 were not material.

10. Analysis of financial instruments

10.1 Analysis by categories

The carrying amounts of each of the categories of financial instruments set out in the "Financial instruments" recognition and measurement standard are as follows:

	2020		
	Financial assets at amortised cost	**Assets at fair value though profit or loss**	**Total**
Non-current financial assets:			
• Other financial assets at amortised cost	204	-	204
• Derivative financial instruments (Note 11)	-	67,028	67,028
	204	**67,028**	**67,232**
Current financial assets			
• Other financial assets at amortised cost	518	-	518
• Clients and other accounts receivable (Note 12) (*)	12,275	-	12,275
• Cash and cash equivalents (Note 14)	20,822	-	20,822
	33,615	**-**	**33,615**

(In thousands of euro)

	2019		
	Financial assets at amortised cost	**Assets at fair value though profit or loss**	**Total**
Non-current financial assets:			
• Other financial assets at amortised cost	296	-	296
	296	**-**	**296**
Current financial assets			
• Other financial assets at amortised cost	456	-	456
• Derivative financial instruments (Note 11)	-	30	30
• Clients and other accounts receivable (Note 12) (*)	17,287	-	17,287
• Cash and cash equivalents (Note 14)	20,582	-	20,582
	38,325	**30**	**38,355**

(*) Excludes balances receivable from public administrations amounting to 1.478 million euro (4.055 million euro at 31 December 2019) (Note 29).

The book value of each of the financial liabilities categories is the following:

	2020		2019	
	Other financial liabilities at amortised cost	**Total**	**Other financial liabilities at amortised cost**	**Total**
Non-current liabilities:				
• Loans received (Note 20)	260,544	260,544	227,955	227,955
• Other financial liabilities (Note 19)	18,824	18,824	23,132	23,132
	279,368	**279,368**	**251,087**	**251,087**

	2020		2019	
	Other financial liabilities at amortised cost	**Total**	**Other financial liabilities at amortised cost**	**Total**
Current financial liabilities:				
• Loans received (Note 20)	5283	5283	28,462	28,462
• Trade payables and other accounts payable (Note 19) (**)	78,855	78,855	84,977	84,977
	84,138	**84,138**	**113,439**	**113,439**

(**) Excludes balances payable to public administrations amounting to 4.145 million euro and current tax liabilities amounting to 9000 euro (3.202 million euro for balances payable to public administrations and 349,000 euro for current tax liabilities at 31 December 2019) (Note 29).

11. Derivative financial instruments

As at December 31, the derivative financial instruments are detailed as follows:

	2020	**2019**
	Assets	**Assets**
Forward currency contracts - held for trading	-	30
Embedded derivative - refinancing agreement (Note 2.12 and 20)	67,028	-
	67,028	30

(In thousands of euro)

As at 31 December 2019, there were foreign currency purchase and sale contracts for realised or highly probable transactions amounting to USD 4 million (none as at 31 December 2020).

During financial year 2020, the amount of foreign exchange insurance contracted amounted to USD 50 million (USD 18 million in 2019).

12. Clients and others accounts receivable

	2020	2019
Clients	15,271	17,215
Less: Value impairment of receivables	(3290)	(357)
Clients – Net	11,981	16,858
Other receivables (personal and other debts)	294	429
Accounts payable to public administrations (note 29)	1478	4055
	13,753	21,342

Accounts receivable are displayed at nominal values that do not differ from their fair values based on discounted cash flows at market rates.

There is no credit risk concentration with respect to trade receivables as the Group has a large number of clients all over the world.

The Group performs non-recourse factoring operations that are described in Note 3.1.b). Furthermore, the Group manages credit risk by risk rating each of its clients and by ensuring the collection of the amounts invoiced through CESCE, according to the criteria and hedging percentages indicated in Note 3.1.b).

Balances that have exceeded the nominal due date but are within the usual stipulated deadlines of the collection systems established with the various clients are not considered to be overdue receivables. At 31 December 2020 and 2019, there were no balances that had exceeded the established collection agreements or terms of regular payments that were not included in the corresponding impairment analysis.

The maximum exposure to credit risk at the date of provision of information is the fair value of each of the accounts receivable detailed above, in any case, considering the abovementioned credit insurance coverage.

Pursuant to IFRS 9, in order to quantify expected losses, an expected loss rate has been considered in the Group, based on the historical experience of the percentage of defaults related to the volumes of trade accounts receivable and adjusted to reflect the situation of the same, taking into account the macroeconomic environment and the current market, as well as current credit insurance, not having detected significant impacts to be recorded due to the consideration of expected losses in accounts receivable from customers.

(In thousands of euro)

The movement in the value impairment for the years 2020 and 2019 corresponds to the following amounts and concepts:

	Total
At 31 December 2018(*)	317
Provisions/(Reversals) (*)	40
At 31 December 2019(*)	357
Provisions/(Reversals) (*)	468
Exchange differences	(47)
Transfers (Note 22)	2512
At 31 December 2020(*)	3290

(*) Considering the amounts recovered from CESCE

During financial year 2020, the Group included, as impairment of trade receivables, provisions for trade transactions that were recognised under "Short-term provisions" at 31 December 2019 in the consolidated balance sheet, amounting to 2.512 million euro (Note 22).

The credit quality of client balances that have not suffered impairment losses can be classified as satisfactory, insofar as in practically all cases these are risks accepted and covered by credit risk insurance companies and/or banks and financial institutions.

The carrying amounts of the Group's accounts receivable in foreign currency are denominated in the following currencies (excluding balances in euro):

	Thousands of euro	
	2020	2019
US Dollar	7016	8216
Pound sterling	23	166
Other currencies	-	1620
	7039	10,002

The age of past due balances held by the Group as at 31 December 2020 and 2019 is as follows:

	2020	2019
Balances up to 3 months overdue	1580	7314
Balances between 3 to 6 months overdue	1991	1843
	3571	9157

13. Inventory

	2020	2019
Raw materials and other supplies	20,359	32,003
Products in progress	15,233	33,636
Finished products	17,998	32,617
CO_2 emission allowances	-	41
	53,590	98,297

(In thousands of euro)

The cost of inventories recognised as an expense is broken down as follows:

	2020	2019
– Purchases	75,678	127,279
– Variations in raw materials and other supplies	11,519	3841
– Variations for value impairment of in-progress and finished product	6293	3219
– Impairment variations in inventories of raw materials and other supplies	166	-
– Variation of in-progress and completed product	26,729	385
	120,385	134,724

During financial years 2020 and 2019, there were purchases in foreign currency amounting to 27 and 41 million euro respectively.

The change in the impairment of inventories to bring the value of inventories in line with their realisable value was as follows:

	Total
At 31 December 2018	**7407**
Provisions/(Reversals)	3219
Provisions cancellations	(30)
At 31 December 2019	**10,596**
Provisions/(Reversals)	6459
Provisions cancellations	(5927)
Exchange differences	(519)
At 31 December 2020	**10,609**

The provisions held at 31 December 2020 have been estimated on the basis of turnover statistics and individual analysis of the conditions and valuation of the various items comprising the Group's inventories, as well as the net recoverable value.

14. Cash and cash equivalents

	2020	2019
Cash and banks	20,822	20,582
	20,822	20,582

The total foreign currency balances at 31 December 2020 (mostly balances in US dollars) amounted to 10.024 million euro (2019: 9.074 million euro).

(In thousands of euro)

15. Share capital and share premium

	No. of shares (thousand)	**Share capital**	**Share premium**	**Treasury shares**	**Total**
Balance as at 31 December 2018	174,681	17,468	387	(1051)	16,804
Acquisition of treasury shares	-	-	-	(1695)	(1695)
Sale of treasury shares	-	-	-	1656	1656
Capital reduction	-	(13,974)	-	-	(13,974)
Balance as at 31 December 2019	174,681	3494	387	(1090)	2791
Acquisition of treasury shares	-	-	-	(867)	(867)
Sale of treasury shares	-	-	-	886	886
Balance as at 31 December 2020	174,681	3494	387	(1071)	2810

Share capital

The General Shareholders' Meeting, at its extraordinary meeting on 27 July 2019, resolved to reduce the capital of the Parent Company by reducing the nominal value of all shares and to create a restricted reserve, in accordance with current regulations.

Consequently, at 31 December 2019, the share capital of Tubos Reunidos amounted to 3.494 million euro, and was represented by 174,680,888 shares of 0.02 euro par value each, fully subscribed and paid up.

As at 31 December 2020, there have been no changes in capital.

The companies that have a share in the share capital in a percentage equal to or greater than 10% are:

Company	**Number of shares**	**Percentage of shares**
Grupo BBVA	25,975,018	14.87%
	25,975,018	14.87%

All of the shares of the parent company are officially listed on the stock exchanges of Bilbao and Madrid. Since 1 July 2005, they have been traded using the main method (OPEN) on the Spanish Stock Exchange Interconnection System (SIBE). The listed price at 31 December 2020 was 0.2040 euro per share (31 December 2019, 0.1916 euro per share).

a) Share premium

This premium is freely distributable.

b) Treasury shares

2020 Financial Year

	Number of shares	**Amount (thousands of euro)**
Initial balance	774,064	1090
Acquisitions	4,637,048	867
Sales	(4,605,838)	(886)
Final balance	805,274	1071

(In thousands of euro)

2019 Financial Year

	Number of shares	Amount (thousands of euro)
Initial balance	593,068	1051
Acquisitions	7,438,376	1695
Sales	(7,257,380)	(1656)
Final balance	774,064	1090

Clima, S.A. (Sole Shareholder Company), a wholly-owned investee, has entered into a liquidity contract with Norbolsa, S.V., S.A. for the purpose of carrying out transactions with the Company's ordinary and single shares and is the holder of the aforementioned treasury shares.

On 29 October 2020, the General Shareholders' Meeting authorised the acquisition of treasury shares up to the maximum number of shares allowed under current legislation for a maximum period of 5 years.

16. Other reserves and retained earnings

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

	2020	2019
Other reserves	48,924	48,924
Retained earnings	(81,437)	16,468
	(32,513)	65,392

a) Unavailable reserves

At year-end 2020, the Group has a total amount of 18.073 million euro in unavailable reserves (same amount at year-end 2019).

b) Distribution of results proposal

The proposed distribution of the 2020 results of the parent company to be submitted to the General Meeting of Shareholders, and the distribution approved in 2019 is as follows:

	2020	2019
Allocation basis		
Results of financial year	(149,799)	7104
Distribution		
Negative results from previous financial years	(149,799)	7104
	(149,799)	7104

(In thousands of euro)

17. Minority interests

The movements that took place in the minority interest account for the years 2020 and 2019 were as follows:

	2020	2019
Initial balance	706	(2882)
Results of financial year	(117)	(3664)
Capitalization of credits (Note 20)	-	7252
Final balance	589	706

The distribution by companies is shown in the following table:

Company/Subgroup	2020	2019
Tubos Reunidos Premium Threads, S.L. (Note 1)	589	706
	589	706

18. Deferred income

The details of the balances of this heading are as follows:

	2020	2019
Tax credits for deductions for investments	-	25
Other income to be distributed in various financial years	580	845
	580	870

The movement in investment tax credits was as follows:

	2020	2019
Initial balance	25	2664
Credit to the profit/loss account for the period (Note 24)	-	(508)
Derecognition (Note 29)	(25)	(2131)
Final balance	-	25

19. Accounts payable

a) Other non-current liabilities

This heading contains the following items and amounts:

	2020	2019
Public administrations for deferred debt	10,587	14,535
Other debts	3517	3487
Lease liabilities (Note 8)	4720	5110
Trade payables and other accounts payable	18,824	23,132

(In thousands of euro)

The “Other debt” section includes loans from official agencies amounting to 3.4 million euro (2019: 2.3 million euro) to finance research and development projects mainly.

During 2019, as part of the Group's refinancing process (Note 20) Tubos Reunidos modified the conditions of the loans with the “Centre for Industrial Technological Development”. As a result, applying IFRS 9, the old debt was derecognised at the carrying amount at the transaction date and the new debt was recognised at fair value. The analysis carried out and the assumptions undertaken by Management are explained in Note 20.

The difference between the old and the new debt amounting to 1.010 million euro was recognised under the heading "Variation in fair value of financial instruments" in the consolidated profit and loss account of financial year 2019 (Note 28).

The maturity schedule is as follows:

	2020	**2019**
Between 1 and 2 years	5479	5527
Between 2 and 5 years	8818	11786
More than 5 years	4527	5819
	18,824	23,132

b) <u>Trade and other accounts payable</u>

This heading contains the following items and amounts:

	2020	**2019**
Suppliers	59,054	65,111
Remunerations pending payment	7220	6827
Other debts	9953	9829
Suppliers of property, plant and equipment	1851	1818
Lease liabilities (Note 8)	777	1392
Current tax liabilities	9	349
Accounts payable to public administrations (note 29)	4145	3202
Trade payables and other accounts	83,009	88,528

The "Other liabilities" includes short-term balances for deferred receivables from public authorities amounting to 4.9 million euro (31 December 2019: 3.9 million euro), and advances from clients amounting to 4.4 million euro (31 December 2019: 5.3 million euro) and the short-term portion of loans from official bodies amounting to 0.4 million euro (31 December 2019: 0.3 million euro).

As at 31 December 2020, the amount of commercial debt affecting confirmation contracts with financial institutions to manage payments to suppliers, classified under the “Suppliers” section, amounts to 33 million euro (23 million euro as at 31 December 2019).

The fair value (updated cash flow) of these liabilities does not differ from its nominal book value.

(In thousands of euro)

The carrying amounts of the Group's accounts payable in foreign currency are denominated in the following currencies:

	Thousands of euro	
	2020	2019
US Dollar	5646	8190
Other currencies	60	10
	5706	8200

Information on deferrals of payments made to suppliers. Third additional provision. "Duty of information" of Law 15/2010 of 5 July"

The information on the average payment period to suppliers in commercial operations for financial years 2020 and 2019, in accordance with the obligations established by Law 15/2010 of 5 July, is as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	119	95
Ratio of paid transactions	134	105
Ratio of outstanding payment transactions	72	64
	Thousands of euro	Thousands of euro
Total payments made	162,781	209,628
Total outstanding payments	51,035	68,473

20. Borrowings

	2020	2019
Non-current		
Loans with credit institutions	242,809	211,642
Marketable bonds and securities	17,387	16,149
Loans with related entities	348	164
	260,544	227,955
Current		
Short-term and long-term loans	3169	21,610
Fair value bonds and securities	6	163
Financing of imports	-	207
Interest payable and others	2108	6482
	5283	28,462
Total borrowings	265,827	256,417

Of the Group's total borrowings as at 31 December 2020, 56% are at a fixed interest rate (58% as at 31 December 2019). In 2019, the Group used interest rate swaps to cover cash flows for 14.81% of debts.

Refinancing agreement

On 16 October 2019, the Group and the financing entities signed the Refinancing Documents for the financial debt, which entered into force with effect on 18 December 2019, the date on which the Closing Agreement was signed.

The total amount of refinanced debt amounted to 353 million euro, with the following breakdown by tranches, bonds and working capital facilities:

1) 69.6 million euro and 25.4 million US dollars, through guaranteed factoring and confirming lines, with an annual margin of 2.75%, and maturity of 24 months, with four automatic extensions of one year.

2) Syndicated financing divided into three tranches (A, B and C):

   i. Tranche A, which is divided into four sub-sections (A1 – A4):

      (a) Tranche A1 for an initial amount of 84.4 million euro, with an annual margin of 12 months Euribor + 3.00%, ordinary semi-annual amortisations with the first maturity 12 months after the closing date of the contract, and a maturity of 5 years, automatically extendible for an additional period of one year if the commitments have been fulfilled and an additional extension of one year if so agreed by the majority of the creditors of Tranche A and Bond A;

      (b) Tranche A2 to refinance Tranche B by means of a debt transfer mechanism whereby, as Tranche A1 is amortised, Tranche B will be automatically reduced and Tranche A2 will be created or increased (as appropriate) by an equivalent amount. The terms of Tranche A2 are the same as those of Tranche A1, except for the repayment schedule: this Tranche A2 is a 5-year bullet tranche, with the same extensions as Tranche A1;

      The sum of the two sub-tranches A1 and A2 (84.4 million euro) and Bond A referred to below (5.6 million euro) is 90 million euro over the life of the contract.

      (c) Tranche A3 for a maximum amount of 20 million euro, which is intended to reduce the participation of the Syndicated Lenders in Tranche B in the Confirming. During financial year 2020, this tranche was fully amortised.

      (d) Tranche A4 for a maximum amount of 0.75 million euro, which is intended to reduce the participation of the Syndicated Lenders in Tranche B according to the amount committed by each of them in the Guarantee Lines. At the date of preparation of these consolidated annual accounts, this tranche had not been completed.

   ii. Tranche B for an initial amount of 124.4 million euro, bullet for 6 years (with the possibility of extension for an additional 11 months), convertible into ordinary shares of Tubos Reunidos under certain conditions, which will accrue an interest rate (PIK) of 4% per year, non-cumulative, payable at maturity and a final contingent and variable fee (6% per year in the event of conversion or total redemption prior to maturity, or 9% per year in the event of conversion at final maturity).

iii. Tranche C in the amount of 36.9 million euro, bullet for 6 years and 3 months (with the possibility of extension for an additional 11 months), subordinated at all times to Tranches A and B above and convertible into ordinary shares of Tubos Reunidos, under certain conditions, which will bear interest at a non-cumulative annual rate (PIK) of 4%, payable at maturity and a final contingent and variable fee (6% per year in the event of conversion or total redemption prior to maturity, or 9% per year in the event of conversion at final maturity).

3) Furthermore, an agreement was reached for the refinancing of the unsecured bonds issued by Tubos Reunidos, SA on 18 December 2015 for the amount of 15.5 million euro, by issuing two classes of bonds:

(i) Bond A in the amount of 5.6 million euro with a 5-year maturity and the same extensions as Tranche A1, the terms of which will be virtually the same as those of Tranche A1, except for the fact that it will be “bullet”; and

(ii) Bond B in the amount of 10.6 million euro, convertible into newly issued Tubos Reunidos shares, the terms of which will be virtually the same as those of Tranche B, except for the fact that it will be repayable in part.

The convertibility of Tranches B and C, if applicable, will be implemented through the issuance of convertible instruments approved at the Extraordinary Shareholders' Meeting on 27 July 2019.

In 2019, the Group Management analysed, in accordance with the provisions of current regulations, whether the original debt should be written off or should remain on the balance sheet (depending on whether the terms of the new debt were substantially different or not from the terms of the original one).

The Group concluded that the previously existing conditions (with the same creditor) and the terms arising from the restructuring were substantially different. To analyse this aspect, two types of tests were carried out: a quantitative test and a qualitative test, which are detailed in the 2019 consolidated annual accounts.

After that analysis, the old debt for the amount of 262.1 million euro was written off the balance sheet at its book value at the date of the transaction, and the new debt was initially recognised at its fair value at the date of the agreement, estimated at an amount of 228.2 million euro. Therefore, the financial liability was initially recognised at its fair value, being subsequently valued at its amortised cost.

The positive results generated in said initial recognition of the new debt, amounting to 33.9 million euro, were recorded as income in the consolidated profit and loss account for financial year 2019, recorded in subsequent years, until the maturity of the debt, as a financial expense. This amount was reduced by the expenses incurred in the transaction, resulting in a net amount of 24.6 million euro, recognised under "Changes in fair value of financial instruments" in the consolidated profit and loss account for 2019.

To value the refinanced debt, the Group discounted the cash flows (principal plus interest) in 2019, in accordance with the payment schedules agreed with creditors, at a rate based on the Euribor interest rate curve plus a spread in line with the Group's and the issue's risk. The resulting discount rate was 8.56%. This valuation is classified as Level 3 based on the fair value hierarchy established by IFRS 13.

There are three scenarios defined in the refinancing agreement at the time of conversion. The conversion clauses of scenarios 1 and 2 involve exchanging a fixed percentage of capital at a fixed price (amounts pending payment at the time of conversion). In scenario 3, a variable number of shares would be exchanged for a variable price with a maximum limit on the number of shares that represents 95% of the capital. In this scenario 3, the conversion takes place fundamentally at market value.

The central part of scenario 3 (conversion below 85%) was a highly probable event in the opinion of the Parent Company's directors at the date of preparation of the consolidated annual accounts for 2019 (the asset and liability situation related to scenario 3 was highly probable, not the conversion itself). Furthermore, the Group has an incentive not to convert (especially in scenario 3), since the interest to be paid would be higher in the case of conversion.

Group Management believes that there is no net equity instrument in the conversion option as long as the refinancing agreement includes the exchange of a variable number of shares at variable prices. The refinancing agreement, therefore, is a hybrid, detachable instrument that contains a financial liability and a derivative.

The embedded derivative is a derivative with an underlying equity included in a debt instrument and, therefore, would not be “closely related” to the main contract.

Based on the details in Note 2.12, the Group has recognised the fair value of this embedded derivative for an amount of 67 million euro under "Changes in fair value of financial instruments" in the consolidated profit and loss account for the year.

This refinancing agreement also establishes compliance with certain financial commitments at the Group level (basically, the ratio of net financial debt/EBITDA from 2020 at a ratio of 4.8x and a maximum CAPEX level from 2019 of 6.9 million euro, whose performance was postponed in the renewal agreement described below.

In the context of the refinancing approved on 18 December 2019, the Group granted the financial institutions mortgage guarantees in the amount of 163.5 million euro and pledges on the shares of the following Group companies: Tubos Reunidos Industrial, S.L. (Sole Shareholder Company), Productos Tubulares, S.A. (Sole Shareholder Company), Tubos Reunidos Services, S.L. (Sole Shareholder Company), Aceros Calibrados, S.A. (Sole Shareholder Company), Aplicaciones Tubulares, S.A. (Sole Shareholder Company), T.R. America, Inc., RDT, Inc. and Tubos Reunidos Premium Threads, S.L.

On 20 May 2020, a renewal of the restructuring framework agreement and a non-extinguishing amending renewal agreement of the financing contract described above were signed and entered into force, thus adapting certain provisions thereof, such as the deferral of the obligation to comply with the Net financial debt/EBITDA ratio until December 2021, establishing different amortisation schedules and increasing the previously established grace period by one year until December 2021, and ratifying and extending the guarantees to the secured obligations. This modification of the terms of the contract is not considered to be substantially different from the previous conditions, after the corresponding qualitative and quantitative tests have been carried out. The impact of the change in the amortisation schedule was recognised as an expense of 1.212 million euro under "Changes in fair value of financial instruments" in the consolidated profit and loss account.

(In thousands of euro)

In addition, the Group's parent company has signed an extraordinary financing for an amount of 15 million euro, partially guaranteed with the State guarantee line managed by the Official Credit Institute (Instituto de Crédito Oficial, or ICO) within the framework granted under Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 ("RDL 8/2020") and Royal Decree-Law 15/2020 of 21 April on urgent complementary measures to support the economy and employment. This financing is implemented through the granting of several bilateral loans under a framework contract and came into effect on 28 May 2020, once the ICO granted a guarantee in favour of each of these lenders, to ensure full and timely compliance with seventy percent (70%) of the payment obligations of the Tubos Reunidos Group. To obtain such financing, the Group granted mortgage guarantees in the amount of 15.3 million euro.

Debts with related entities

In financial year 2019, it agreed to capitalize on debt to re-establish the equity balance of the dependent company. The amount capitalised by the minority partner amounted to 7.252 million euro.

As of 20 December 2019, a new loan was granted to the subsidiary Tubos Reunidos Premium Threads, SL for a total amount of 335,000 euro, thus recording an amount of 164,000 euro in borrowings on the consolidated balance sheet. This amount is classified in the long term and accrues a fixed interest rate of 3.5%.

On 7 January 2020, the shareholders of Tubos Reunidos Premium Threads, S.L. granted a new loan amounting to 351,000, thus recognising an amount of 172,000 in borrowings on the consolidated profit and loss account. Said amount is classified as long term and accrues a fixed interest rate of 3.5%.

Other information

The average effective interest rates for the financial year were as follows:

	%	
	2020	**2019**
Credits and loans with financial entities	6.7%	3.6%
Suppliers of property, plant and equipment	2.0%	2.6%
Import financing	-	3.5%

The maturity of the non-current external funds is as follows:

	2020	**2019**
Between 1 and 2 years	12,160	12,160
Between 2 and 5 years	35,344	44,944
More than 5 years	213,040	170,851
	260,544	227,955

The carrying amount of the Group's borrowings is entirely in euro.

The carrying amounts and fair values (based on discounted cash flows at market borrowing rates) of the fixed-rate external sources do not differ significantly as, as a result of the refinancing process completed on 18 December 2019, the new debt was recorded at fair value at the time of signing.

(In thousands of euro)

21. Deferred taxes

The breakdown of deferred tax assets by source corresponds to:

	2020	2019
Temporary differences	529	516
Negative taxable income	3418	11,134
Deductions in the quota to be used and others	4584	4619
Total	8531	16,269

Movements during financial years 2020 and 2019 in deferred tax assets were as follows:

Deferred tax assets	Temporary differences	Negative taxable income	Deductions to be applied	Total
At 31 December 2018	729	17,923	17,097	35,749
Generation in the year	19	-	-	19
Application/Write off	(232)	(6789)	(12,478)	(19,499)
At 31 December 2019	516	11,134	4619	16,269
Generation in the year	13	-	-	13
Application/Write off	-	(7716)	(35)	(7751)
At 31 December 2020	529	3418	4584	8531

Temporary differences relate mainly to provisions estimated to be tax deductible expenses in the future.

As at 31 December 2020, the Group has tax loss carryforwards amounting to 63.256 million euro in quota (calculated at a tax rate of 24%) (50.675 million euro at 31 December 2019), of which 59.838 million euro have not been capitalised (39.541 million euro at 31 December 2019). All of these tax bases correspond to the Spain segment.

The tax bases to be applied by companies located in Spain are as follows:

FINANCIAL YEAR	MATURITY	TOTAL
2011	2041	26,416
2012	2042	1877
2013	2043	7544
2014	2044	1549
2015	2045	35,133
2016	2046	59,596
2017	2047	39,695
2018	2048	20,884
2019	2049	23,418
2020	2050	47,214
		263,326

In addition, the Group has tax loss carryforwards from the United States segment amounting to approximately 37.5 million euro (as a basis) that have not been capitalised (25 million euro at 31 December 2019).

(In thousands of euro)

The Group has deductions to be applied of 34.820 million euro at 31 December 2020, of which 30.236 million euro have not been capitalised (34.668 million euro in deductions to be applied at 31 December 2019, of which 30.049 million euro have not been capitalised). All of these deductions correspond to the Spain segment.

The deductions to be applied are detailed below:

Deductions with a 35% quota limit	Maturity	Amount
2009	2039	3574
2010	2040	959
2011	2041	3896
2012	2042	3543
2013	2043	3523
2014	2044	3196
2015	2045	442
2016	2046	1849
2017	2047	173
2018	2048	1
		21,156

Deductions with a 70% quota limit	Maturity	Amount
2009	2039	132
2010	2040	2221
2011	2041	1995
2012	2042	1811
2013	2043	2563
2014	2044	1671
2015	2045	867
2016	2046	711
2017	2047	706
2018	2048	72
2019	2049	157
		12,906

Deductions without limit	Maturity	Amount
2011	2041	56
2012	2042	379
2017	2047	89
2018	2048	17
2019	2049	51
		592

Almost all of the deferred tax assets recognised by the Group at 31 December 2020 and 31 December 2019 relate to the Basque Country tax group. The description of the tax Group is detailed in Note 29.

The legislation applicable to entities subject to the Álava Provincial Legislation (the Basque Country tax group) establishes a time limit of 30 years for deductions and tax losses generated, with a limit of 50 percent of the positive tax base prior to such compensation for tax losses, establishing, moreover, that for those existing prior to the aforementioned date, the 30-year period begins to run from the time they were generated.

(In thousands of euro)

At year-end 2020, as explained in Note 4.1, Management has revalued the capitalised tax credits and deductions by reducing them by a net amount of 7.7 million euro (17.3 million euro in 2019).

The balance of deferred tax liabilities relates mainly to the tax effect of the revaluation of land due to the application of IFRS 1 as of 1 January 2004. Movements during financial years 2020 and 2019 were as follows:

	Amount
Balance as at 31 December 2018	**16,975**
Exchange differences	34
Other	(1280)
Balance as at 31 December 2019	**15,729**
Exchange differences	(189)
Allocation to income	(7610)
Balance as at 31 December 2020	**7930**

The amount of 7.7 million euro allocated to income relates to the derecognition of deferred tax liabilities associated with a 31 million euro revaluation of land which was impaired during 2020 (Note 6).

22. Provisions

Long term

	Staff adjustment plan	Other	Total
At 31 December 2018	105	1847	1952
Charge (credit) to income statement:			
Provisions	-	-	-
Cancellations/payments	(123)	(344)	(467)
Transfers	63	(495)	(432)
At 31 December 2019	45	1008	1053
Charge (credit) to income statement:			
Provisions	-	-	-
Cancellations/payments	-	-	-
Transfers	-	-	-
At 31 December 2020	45	1008	1053

(In thousands of euro)

Short term

	Staff adjustment plan	Provision for guarantees and other commercial transactions	Other	Total
At 31 December 2018	130	3030	2530	5690
Charge (credit) to income statement:				
Provisions	-	2702	140	2842
Reversal of provisions	-	-	(402)	(402)
Application	-	(1798)	(504)	(2302)
Transfers	(62)	-	494	432
At 31 December 2019	68	3934	2258	6260
Charge (credit) to income statement:				
Provisions	-	241	389	630
Reversal of provisions	-	(89)	(120)	(209)
Application	-	(1180)	(493)	(1673)
Other transactions (Note 13)	-	(2512)	-	(2512)
At 31 December 2020	68	394	2034	2496

The short-term "Other" section includes the short-term provision for CO2 gas emission costs in the production process, which, at 31 December 2020, amounted to 1.7 million euro (same amount at 31 December 2019), insofar as these emissions involve the consumption of emission allowances.

In addition, provisions constituted to cover expenses, losses, or to deal with probable or certain liabilities from ongoing disputes or other obligations derived in development of the Group's activities are included. The new provisions adequately mitigate the risk estimated by the Group's Management.

23. Operating income

	2020	2019
Sales of goods	241,661	284,442
Total ordinary income	241,661	284,442

Ordinary income from external clients derive from the sale of pipes to customers operating in the sectors described in Note 5.

Regarding pipe sales, the Group believes that there is a single type of contract with clients: sales correspond to a single performance obligation (pipe sales) and are carried out at a specific point in time (Note 2.22).

Almost all of the foreign currency amounts billed to clients in 2020, that being 101 million euro, were in US dollars (144 million euro in 2019, mainly US dollars).

(In thousands of euro)

24. Other income

	2020	2019
Work carried out by the Group for property, plant and equipment	672	1166
Allocated to income by deduction from investment in new fixed assets (Note 18 and Note 2.18)	-	508
Operating subsidies	3846	3026
Sale of CO_2 rights	443	257
Other	527	1040
	5488	5997

The Group sold part of the CO2 rights assigned to it in financial year 2020, obtaining a positive result from this sale for 443,000 euro (in 2019, the Group sold the assigned rights obtaining a positive result of 257,000 euro).

25. Expenses for employee benefits

	2020	2019
Wages, salaries and similar expenses	61,136	67,075
Social contributions	17,498	20,623
Contributions and provisions for pensions	1697	1811
	80,331	89,509

At the end 2019, temporary redundancies were implemented in two of the Group's production plants (Tubos Reunidos Industrial, S.L. (Sole Shareholder Company) and Productos Tubulares, S.L. (Sole Shareholder Company)).

As a result of the effects of COVID-19 described in Note 1.2, in 2020 temporary redundancy plans for force majeure and economic reasons were formalised in several Group companies in Spain, affecting 92.8% of the Group's workforce in Spain. Temporary redundancy plans for economic reasons remain in force in two of the Group companies until 30 June 2021.

The calculation of the Group's average workforce in 2020 takes into account the aforementioned redundancy plans, which have resulted in an 8% reduction in the average workforce.

The average number of Group staff of continuing operations by category and members of the Board of Directors is as follows:

	2020	2019
Workers	799	993
Employees	388	438
Directors	10	9
	1197	1440

(In thousands of euro)

The average number of employees during the year of the consolidated companies with a disability of 33% or more, by category, is as follows:

	2020	2019
Workers	6	5
Employees	2	2
	8	7

During financial year 2020, the Group had an average of 8 employees with a disability greater than or equal to 33% (2019: 7 employees).

As at 31 December 2020 and 2019, the breakdown of staff is as follows:

	2020			2019		
	Women	Men	Total	Women	Men	Total
Workers	16	861	877	24	978	1002
Employees	104	309	413	99	301	400
Directors	2	8	10	2	7	9
	122	1178	1300	125	1286	1411

26. Other expenses

The detail of this caption is as follows:

	2020	2019
External services	57,286	72,253
Taxes	800	718
Losses, impairment and changes in trade provisions	642	2722
Other current operating expenses	3280	2823
	62,008	78,516

27. Other net profit/(loss)

This heading contains the following items and amounts:

	2020	2019
Other non-recurring income/(expense)	335	593
Results from disposal of property, plant and equipment	-	279
	335	872

(In thousands of euro)

28. Financial income and expenses

	2020	2019
Financial income		
– Income from equity investments and other financial income	10	13
– Net profit /(loss) on foreign currency transactions	(3286)	908
Financial expenses		
– Interest on loans/bank credits and other borrowings	(22,990)	(14,300)
Changes in fair value of financial instruments (Notes 19 and 20)	65,816	25,648
Change in fair value of foreign currency derivatives that do not qualify as hedges	-	30
	39,550	12,299

29. Public administrations and income tax

a) Current balances with Public Administrations

The composition of current balances with Public Administration is:

	2020		2019	
	Debtors	**Creditors**	**Debtors**	**Creditors**
Value added tax	1318	315	3919	152
Income tax for individuals	-	1206	27	1342
Social Security agencies	42	2539	44	1708
Withholdings and other	118	85	65	-
	1478	**4145**	**4055**	**3202**

b) Reconciliation of accounting result and tax base

	2020	2019
Current tax	(9)	-
Deferred taxes	(101)	(6101)
	(110)	(6101)

Since financial year 1998, the Parent Company has filed consolidated tax returns. The current tax set-up of the Group is the following:

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

(*) This Company is not part of the Tax Group in 2019

(In thousands of euro)

The Group's income tax on continuing operations differs from the theoretical amount that would have been obtained using the weighted average tax rate applicable to the consolidated companies of the Group as follows:

	2020	2019
Profit before taxes	(97,912)	(39,038)
Allocated to income of tax and R&D credits (Note 24)	-	(508)
Impairment of tax credits (Note 21)	-	10,347
Consolidation adjustment for impairment of revalued assets	28,090	-
Temporary differences generated not capitalised	225	-
Permanent differences	10	45
Consolidated tax base	(69,587)	(29,154)

c) Composition of tax expense

The composition of the corporate income tax expense is as follows:

	2020	2019
Tax calculated at the tax rates applicable to profits of each consolidated company (*), considering permanent differences	9	-
Temporary differences generated in the financial year (Note 21)	(13)	-
Deregistration of tax credits	7724	6789
Change in deferred income due to consolidation adjustments	(7610)	(688)
Tax expense	110	6101

As at 31 December 2020 and 2019, the taxable income of the tax group is negative and the corresponding tax income has not been recognised.

In addition, details of the tax rates applicable to each tax group/company in 2020 and 2019 are set out below:

	2020	2019
Basque Country tax group and TRPT	24%	24%
TRAME and RDT (companies located in the United States)	21%	21%
ACECSA	28%	28%

The financial years open for inspection in relation to the taxes applicable to them vary for the different companies of the consolidated Group, although they generally cover the last three or four financial years, except for corporate income tax, for which financial year 2016 and subsequent years would be open for inspection.

As a result, among others, of the different possible interpretations of current tax legislation, additional liabilities may arise as a result of an inspection. In any case, the directors consider that such liabilities, should they arise, would not materially affect the consolidated annual accounts.

(In thousands of euro)

30. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to Parent Company shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares acquired (Note 15).

	2020	2019
Profit/(loss) attributable to company shareholders from continuing operations	(97,905)	(41,475)
Weighted average number of ordinary shares outstanding (thousands)	173,757	174,009
Basic earnings/(losses) per share (euro per share)	(0.563)	(0.238)

	2020	2019
Profit/(loss) attributable to company shareholders from discontinued operations	-	-
Weighted average number of ordinary shares outstanding (thousands)	173,757	174,009
Basic earnings/(losses) per share (euro per share)	-	-

b) Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all potentially dilutive ordinary shares. The Parent Company has no potentially dilutive ordinary shares.

31. Dividends per share

No distribution of dividends was approved for financial years 2020 or 2019.

32. Statement of cash flows

a) Cash generated from operations

	2020	2019
Profit before taxes:	(97,912)	(39,038)
Adjustments of:		
– Amortisation of property, plant and equipment (Note 6)	19,192	21,037
– Impairment of property, plant and equipment (Notes 7 and 26)	985	-
– Impairment of real estate investments and property, plant and equipment (Notes 6 and 9)	98,613	4440
– Amortisation of intangible assets and rights of use (Notes 7 and 8)	3375	3999
– Amortisation of real estate investments (Note 9)	57	76
– (Profit)/loss on sale of property, plant and equipment/assets held for sale/real estate investments	-	(221)
– Other income related to fixed assets (subsidies) (Note 24)	-	(508)
– Change in fair value of derivative financial instruments (Note 28)	(65,816)	(25,648)
– Net allocations to provisions (Notes 12, 13 and 22)	7348	5709
– Income from interest and equity investments (Note 28)	(10)	(13)
– Interest expenses (Note 27)	22,990	14,300
– Foreign exchange differences (Note 27)	3286	(938)
– Impairment of tax credits	-	10,347
- Other adjustments to income	(346)	(43)
Changes in working capital:		
– Inventories (Note 13)	35,797	(736)
– Clients and others accounts receivable (Note 12)	2904	8969
– Change in provisions (payments) (Note 22)	(1673)	(2769)
– Suppliers and other accounts payable (Note 19)	(6971)	(153)
– Other current assets	111	(285)
Cash generated from operations	21,930	(1475)

b) Evolution of debt

This section contains an analysis of debt and debt movements for 2020 and 2019 (in thousands of euro):

2020 Financial Year

	2020	2019
Long-term borrowings (Note 20)	260,544	227,955
Short-term borrowings (Note 20)	5283	28,462
Other long-term debt (Note 19.a)	8237	8597
Other short-term debt	1147	3129
Total borrowings and other debt	275,211	268,143

(In thousands of euro)

	Long-term and short-term borrowings	Other long-term and short-term debt	Total
Net debt at 1 January 2020	256,417	11,726	268,143
Financing	15,991	-	15,991
Amortisations/payments	(25,457)	(5150)	(30,607)
Variation in accrued interest	17,664	2808	20,472
Adjustments to income	1212	-	1212
Net debt at 31 December 2020	265,827	9384	275,211

2019 Financial Year

	2019	2018
Long-term borrowings (Note 20)	227,955	189,427
Short-term borrowings (Note 20)	28,462	75,422
Other long-term debt (Note 19.a)	8597	15,021
Other short-term debt	3129	3268
Total borrowings and other debt	268,143	283,138

	Long-term and short-term borrowings	Other long-term and short-term debt	Total
Net debt at 1 January 2019	264,849	18,289	283,138
Financing	2383	-	2383
Amortisations/payments	(4866)	(2401)	(7267)
Variation in accrued interest	4231	251	4482
Transfers (Note 20)	23,710	(12,310)	11,400
IFRS 16 application (Note 8)	-	7897	7897
Adjustments to income	(33,890)	-	(33,890)
Net debt at 31 December 2019	256,417	11,726	268,143

33. Contingencies

As at 31 December 2020, the Group provided bank guarantees and other guarantees related to the normal course of business amounting to 0.9 million euro (31 December 2019: 1.8 million euro). These guarantees mainly correspond to technical guarantees to ensure compliance with commercial activities.

In addition, in 2020, the Group has other contingent liabilities amounting to 190 million euro (31 December 2020: 171 million euro), which mainly relate to mortgage guarantees and pledges granted as collateral to financial institutions as a result of the financial refinancing described in Note 20.

Lastly, the subsidiary T.R-America, Inc. (Note 1) has a deposit provided as collateral in the amount of 3.1 million euro, which is recorded under this section (3.4 million euro at 31 December 2019). This amount is not available to the Group at the date of preparation of these consolidated annual accounts.

34. Commitments

a) Fixed asset purchase commitments

Investments committed at the balance sheet dates (not incurred) amounted to 0.6 million euro in 2020 and 2019.

b) Financing of investment commitments

These investments will be financed through payment agreements with suppliers and providers of equipment and other assets, as well as expected cash generation (Note 3.1.c).

35. Related party transactions

The transactions outlined below were carried out with related parties.

a) Transactions with shareholders

All sales and purchases of goods and services are made at market prices similar to those applicable to unrelated third parties.

Set out below are the balances, expressed in thousands of euro, held at 31 December 2020 and 2019 with the BBVA Group, the Group's main shareholder, broken down by item, as well as the terms and conditions of the contracts:

2020 Financial Year

Item	Balance drawn down	Last maturity	Guarantees
Loans	77,721	2027	Mortgage and pledge of shares
Non-recourse factoring	1975	2026	
	79,696		

2019 Financial Year

Item	Balance drawn down	Last maturity	Guarantees
Loans	74,008	2027	Mortgage and pledge of shares
Non-recourse factoring	904	2026	
	74,912		

The amount of interest paid by all Group companies to the BBVA Group during the 2020 financial year as remuneration for the aforementioned contracts and recognised in the consolidated profit and loss account amounted to 672,000 euro (2.047 million euro in 2019).

BBVA acted as agent bank in the syndicated loan, prior to the new refinancing, during financial year 2019 (Note 20).

(In thousands of euro)

b) Transactions with other related parties

	2020	2019
Financial expenses	12	102
	12	102

Corresponds to the financial expenses associated with the loan received by Tubos Reunidos Premium Threads, S.L. from Marubeni Itochu Tubulars Europe Plc (Note 20).

c) Loans with other related parties

	2020	2019
Loans with related entities (Note 20)	348	164
	348	164

d) Compensation to key managerial personnel

The total remuneration earned by General Directions and similar figures, who are not executive directors, of all Group companies (management personnel group considering the situation at 31 December in both years), who perform their duties under the direct supervision of the governing bodies and/or chief executive, amounted to 1.797 million euro during the year and comprises 10 people (2019: 1.823 million euro, 10 people), as detailed in the following table:

	2020	2019
Short-term remuneration and compensation	1707	1688
Post-employment benefits	90	135
	1797	1823

Post-employment benefits paid in 2020 and 2019 correspond to contributions to the Group's general social welfare system for all employees through defined contributions to a Voluntary Social Welfare Entity (entidad de previsión social voluntaria, or EPSV) and contributions to pension plans.

e) Remuneration of parent company directors

Payments accrued during the financial years ended 31 December 2020 and 2019 by the members of the Board of Directors of Tubos Reunidos, S.A. in their capacity as directors of the Company, of any kind and for any reason, including the salaries and wages of directors who also perform executive management functions in the Group, totalled 1.014 million euro (2019: 543,000 euro). The remuneration is outlined in the table below:

	2020	2019
Salary by executive function	393	-
Short-term compensation	621	543
	1014	543

On 29 October 2020, the General Shareholders' Meeting approved a multi-year variable remuneration linked to the creation of value for Tubos Reunidos in different scenarios and time milestones in favour of the Executive Chairman and key people in the organisation in its execution, which has not had any impact on the aforementioned remuneration figures for financial year 2020.

On the other hand, the Executive Chairman is contractually entitled to receive financial compensation in certain cases of early termination, all for reasons other than failure to perform the duties inherent to the position. The financial compensation agreed for such termination consists of the payment of one year's fixed remuneration in accordance with the new Directors' Remuneration Policy approved by the General Shareholders' Meeting on 29 October 2020.

In addition, the Group did not grant any loans to members of the Board of Directors in financial years 2020 and 2019.

In the current financial year, the Group's parent company paid the third-party liability insurance premiums of the directors for 20,000 euro (2019: 18 thousand euro).

f) Article 228 of the Consolidated Text of the Spanish Companies Act (Ley de Sociedades de Capital)

In their duty to avoid conflicts of interest in the parent company during the year 2020, those directors who have held positions on the Board of Directors have complied with the obligations under Article 228 of the revised text of the Spanish Companies Act. Similarly, both board members and persons related to them have refrained from engaging in conflict of interests anticipated in Article 229 of that act, with no communications on possible conflicts of interest being recorded, directly or indirectly, to be taken into consideration by the Board of Directors of the parent company.

36. Other information

a) Fees for auditors and their group companies or affiliates

Fees accrued in 2020 amounted to 313,000 euro for audit services, 61,000 for other audit-related services and 10,000 for other services.

Fees accrued in 2019 amounted to 442,000 euro for audit services, 53,000 euro for other audit-related services and 24,000 for other services.

b) Environmental issues

Within its property, plant and equipment assets, the Group has facilities that aim at protecting and improving the environment, also carrying out work with its own staff and with the support of specialised external companies, all within the context of the environmental strategic plan in which the Group is involved to minimise environmental risks associated with its activity and to improve its environmental management. The amounts of the expenses accrued in 2020 to protect and improve the environment amounted to 1.356 million euro (1.883 million euro in 2019). No amounts for environmental investments have been accrued (no amounts were accrued for environmental investments in 2019) and they are recorded under the corresponding "Property, plant and equipment" heading of assets on the accompanying consolidated balance sheet and under "Other expenses" in the accompanying consolidated profit and loss account.

(In thousands of euro)

Regarding allowances (Notes 2.13 and 13), on 27 August 2004, Royal Decree-Law 5/2004 was adopted, regulating the emissions trading regime of greenhouse gases, which aims to help fulfil the obligations under the Convention and the Kyoto Protocol. For its part, the Council of Ministers passed, on 15 November 2013, the final individual allowance of greenhouse gases for the period 2013 to 2020, with the Group being provided an allowance of 719,000 tonnes of CO_2.

The tonnes allocated free of charge are distributed annually as follows:

	Allowances allocated (Tm.)
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

For financial year 2020, the amount of expenses arising from the consumption of emission allowances, which have been recorded against the corresponding provision (Note 22), amounted to 145,000 euro (2019: 308 million euro).

During 2020, the Group has sold part of the allowances it had been allocated and had not consumed (Note 24). Also, as indicated above, at 31 December 2020, the Group has recognised a provision considering the estimated consumption of emission allowances for 2020 (Note 22).

The Group's management does not estimate any type of penalty or contingency arising from compliance with the requirements established in Law 1/2005 on emission allowances.

37. Subsequent events

No significant Subsequent Events have occurred after the year end.

38. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles described in Note 2.

The original consolidated Annual Accounts prepared in Spanish were signed by the Company’s Members of the Board in accordance with applicable legislation. In the event of a discrepancy, the Spanish-language version prevails.

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

2020 CONSOLIDATED MANAGEMENT REPORT
(In thousands of euro)

1. Development and business results

a. Financial and non-financial key indicators

The strategy initiated in 2018 of geographic, sector and product diversification, less exposure to the US market and significant efforts in the industrial and commercial areas, was reflected in a significant increase in orders in the last quarter of 2019, allowing us to start 2020 with a portfolio 46% higher than the initial portfolio of the previous year and with a mix focused on high value-added products, mainly in the midstream and downstream sectors, so that the Group's activity in the first quarter of 2020 was 11% higher than in the same period of the previous year.

However, the outbreak of the pandemic and the resulting restrictions on mobility, which started in the Far East at the beginning of the year and progressively spread globally from the end of the first quarter, led to delays and even suspension of ongoing projects and investment decisions on new projects. This had a drastic impact on deliveries of pipelines already under contract and led to a slump in new orders.

COVID-19 caused some rather unusual situations, such as the negative price of oil in April due to the lack of storage capacity and a sharp slowdown in production. This resulted in OPEC producers (aligned with Saudi Arabia) imposing strict discipline on supply, which included Russia. According to specialist consultant Rystad Energy, global oil consumption fell by an average of 10 million barrels a day in 2020.

In this scenario of reduced demand, pipe inventories for drilling and producing fossil fuels in the United States increased over the course of the year to end – despite having been partially offset – at levels of 8.1 months of consumption at the end of 2020, compared to 4.4 months at the end of 2019, according to the Preston Pipe Report. Said report also reveals that OCTG pipe prices, which have been in decline since the second half of 2018, continued to decline throughout 2020 until the trend reversed in the fourth quarter due to the rebound in raw materials. The base price deterioration for international seamless pipe and tube manufacturers from the time Section 232 came into force until the end of 2020 exceeded 25% of the tariff. In the other business sectors in this market, the decline in demand was also strongly felt. Overall, Group turnover in North America was down 39% compared to 2019.

In Europe, the safeguard measures implemented by the European Union in reaction to 232 have remained in force, which has partially limited the massive entry of seamless pipes from third countries – especially low-cost ones – in a scenario as delicate as the one caused by the pandemic. While projects related to power generation and refining have been hard hit, demand for industrial and mechanical applications – which suffered in the first part of the year – have been recovering some normality, supported by automotive, construction, rewiring and wind energy projects. Against this backdrop, the Group defended its position and its turnover was 1% higher than in 2019 in Europe.

Asia has been particularly affected by the paralysis of the large downstream projects that were in the pipeline. Just as China, the source of the pandemic, was the first economy to slow down, it was also the first to pick up again after controlling COVID-19. Korea and India have been particularly affected throughout the year, after the Group had an excellent 2019 in terms of order intake for energy and petrochemical projects in both countries. This slowdown meant that, after digesting the backlog at the end of 2019 without recovering to the same extent in 2020, the Company's turnover in the region fell by 22% in the year.

In the Middle East and North Africa, despite the delay of large projects that we had already been awarded – especially from Saudi Aramco or emerging countries such as Iraq – which has impacted our sales, we have been able to compensate with a good entry into other markets in the region, which has allowed us to close the year with a 4% improvement in turnover.

In Latin American countries, the Group also managed to improve its position by completing interesting projects in the Downstream segment.

Throughout the year, the product and market diversification strategy implemented by the Group continued to bear positive fruit in 2020, despite the adverse global scenario dominated by the pandemic, and sales in the downstream sector rose 6% compared to 2019, albeit partly supported by the excellent portfolio with which we started the year.

At the same time, lower exposure to the US upstream sector was evidenced by a 47% decline in OCTG's turnover, which was also affected by the inability to finalise the entire TRPT portfolio due to pandemic-related operational constraints that have slowed down the industrialisation of newly developed Premium threads.

In Midstream, turnover declined 6% due to the non-delivery of some important pipeline orders to the Middle East, as mentioned above.

In Mechanical and Industrial, sales contracted by 16%, due to the slowdown in inflows during the months of lockdown and the drop in prices, which made some operations not beneficial.

In addition to the effects caused by the pandemic, the structural problems of the sector, such as the installed overcapacity of steel pipes at a global level, and the trade tensions between major powers are still present. Therefore, we continue to operate in a scenario of high competition and volatility.

As we have explained, in 2020 the global decline in economic activity due to the effect of the pandemic has seriously reduced the demand for oil and gas at a global level, affecting exploration and production activity, as well as pipeline and downstream infrastructure projects. However, in this extremely complex situation, the TUBOS REUNIDOS Group has shown that it has the capacity to adapt and minimise the impact, managing to reduce the Group's turnover by only 17% in tonnes and 16% in euro.

The pandemic has changed mobility parameters due to teleworking and the limitation of international flights. It is also accelerating dynamics that were already present, such as the decarbonisation and electrification of the economy, leading to new opportunities around clean energy and gas as a transition energy to the detriment of heavier fossil fuels. Large hydrocarbon exploration and production companies are investing heavily in renewables, led by European companies. Likewise, conventional refinery complexes have plans to convert to adapt to biofuel production or transform into petrochemical plants capable of processing products with higher added value, or fertilisers to supply a growing population in developing countries.

All these projects require seamless pipes made of the toughest steels that Tubos Reunidos manufactures.

In this scenario, the Group's strategy of diversifying markets and sectors, extending the range of higher value-added steel pipes and maximising the Group's joint product offer, continues to provide value in the current situation and in the post-COVID scenario.

TUBOS REUNIDOS, S.A. AND SUBSIDIARIES

2020 CONSOLIDATED MANAGEMENT REPORT
(In thousands of euro)

The Group's EBITDA[1] amounted to negative 15.2 million euro for the year, compared to negative 11.4 million euro in 2019; due to the continued deterioration of the business as a result the impact of the pandemic and the maintenance of prudent inventory valuation criteria in light of the exceptional global situation, which led to the stoppage and delay of project deliveries.

Due to the outbreak of the COVID-19 pandemic and its impact on the Group, Management prepared a mandatory impairment analysis of its assets. As a result, an amount of 100 million euro was recorded in the income statement for the year. On a comparable basis, the Group's operating profit (EBIT) for the year 2020, excluding impairment of fixed assets, was 1.3 million euro lower than in the previous year, despite 43 million euro less in sales.

The accumulated positive financial result for the year amounts to 39.6 million euro. This includes, on the one hand, financial expenses associated with the financing and the impact of exchange rate differences for a total amount of 27.4 million euro, of which 17.0 million euro will not result in cash outflows in the current year. On the other hand, it includes an amount of 67 million euro in income for the fair value of the derivative associated with the conversion option included in the refinancing contract.

As a result, the negative result attributable to the Group for financial year 2020 amounted to 97.9 million euro.

b. Issues relating to the environment and the workforce

The 2020 financial year was marked by the management of the COVID-19 pandemic at our plants. From the outset, protocols and preventive and organisational measures were established and adapted to the different regulations and criteria established by the health authorities. As a result of this work, the risk of infection within our facilities has been reduced, with the collaboration of our technicians, trade union representatives and all the group's workers.

Throughout the year, the Tubos Reunidos Group has strategically managed people and resources aimed at achieving its objectives. Tubos Reunidos is a Group committed to people that continually invests in the improvement of professional talent, seeking to create satisfactory working environments where equal opportunities, safe work and respect for the environment are a priority.

One priority is the Prevention of Occupational Risks, with a goal of zero accidents. The evaluation of the results based on the planned actions has led to the implementation of specific campaigns aimed at reinforcing the integration of prevention in the line of command and preventive health care, in order to reduce the number of accidents and promote healthy lifestyle habits. To achieve this, a multi-year project has been launched this year, which will help us to reinforce the safety culture at all levels of the organisation and preserve process risks in our workplaces.

The Group continues to invest in talent management, dedicating a large number of resources and hours to training its professionals in order to adapt them to the skills required for their jobs. Specifically, during the 2020 financial year, more than 6969 hours were invested, with a large component of internal training, taking advantage of the know-how of the people who work in the Group.

[1] *EBITDA calculated as the operating result plus the amortisation expense.*

During this financial year, training in Occupational Risk Prevention continued to prevail, as well as training aimed at certifying workers in Non-Destructive Testing. All of this is reflected in the training plans that each Group company draws up and develops throughout the year.

In order to adapt resources to the lower production capacity utilisation, due to the influence of the COVID-19 pandemic, the Tubos Reunidos Group adopted temporary measures during the 2020 financial year through the application of Temporary Redundancy Plans.

With regard to the environment, the Tubos Reunidos Group is committed to ensuring the utmost respect for the environment in the development of its activities based on the principle of environmental protection and pollution prevention. In this regard, in 2018 it signed the "Pact for a Circular Economy, Commitment of Economic and Social Agents 2018–2020" of the Ministries of Agriculture and Fisheries, Food and the Environment and the Ministry of Economy, Industry and Competitiveness, by which it undertakes to promote the transition towards a circular economy. For this reason, the Group holds two seats (its main plants, TRI and PT) on the Technical Committee for Standardisation CTN 323 "Circular Economy" in order to follow international and European developments on possible circular economy standards.

Our commitment to sustainability is the basis of our roadmap for responsible growth. The Tubos Reunidos Group, through the Unión de Empresas Siderúrgicas (UNESID), is developing a project to decarbonise and reduce the climate footprint of the Spanish steel industry. This project is fully aligned with the long-term decarbonisation strategy approved by the Spanish government, which sets out the path to achieve climate neutrality by 2050.

In 2020, we continued to deepen our commitment to the United Nations Sustainable Development Goals (SDGs) and launched an SDG promotion plan in order to integrate commitment, awareness and action in favour of the fulfilment of the global agenda into the group's culture.

For further information, attached to this management report is the Statement of Non-Financial Information, which provides more detailed information on these two matters.

2. Statement of Non-Financial information

In accordance with the provisions of Law 11/2018 of 28 December on non-financial information and diversity, the Tubos Reunidos Group has prepared the "STATEMENT OF NON-FINANCIAL INFORMATION" relating to the financial year 2020, which forms part, in accordance with the provisions of Article 44 of the Code of Commerce, of this report and is attached below.

3. Liquidity and capital resources

The main guideline of the Board of Directors and the Group's Management Team during financial year 2020, and which will be a constant during the financial year 2021, has been the protection of cash, as a response to the current uncertain market situation and the health crisis.

2020 CONSOLIDATED MANAGEMENT REPORT
(In thousands of euro)

While in 2019 the Group successfully completed a process of refinancing its financial liabilities in order to rationalise its debt and have greater flexibility in its financial commitments, adapted to the expected market reality at that time, following the outbreak of the pandemic, in the first half of 2020 the Group arranged new extraordinary financing with first-tier financial institutions, partially guaranteed by the ICO, in the amount of 15 million euro. At the same time, it signed a renewal of the framework agreement on refinancing at the end of 2019. This involved adapting certain provisions of the agreement, such as extending the interest-only repayment period by an additional 12 months, waiving compliance with certain financial ratios for this financial year, and ratifying and extending guarantees to secured liabilities.

Despite the general increase in liquidity tensions in the international economy, thanks to the management carried out by the Group to reduce working capital investment needs by controlling the level of inventories and maximising the use of the working capital lines offered by the financing agreement signed in December 2019, the Group has managed, in this difficult scenario, to maintain a level of cash at the end of the 2020 financial year equivalent to that available at the beginning of the financial year.

Thus, the Group's working capital amounted to a negative amount of 9.3 million euro as at 31 December 2020, resulting in a reduction in working capital requirements of 43.9 million euro compared to 31 December 2019 (+34.7 million euro).

The working capital is calculated and expressed in thousands of euro:

	2020	2019
Inventory (note 13)	53,590	98,297
Trade receivables - Net (note 12)	11,981	16,858
Suppliers (note 19 b)	(59,054)	(65,111)
Outstanding remuneration (note 19 b)	(7220)	(6827)
Advances from customers (note 19 b)	(4404)	(5361)
Credit balance with public institutions (note 29)	(4145)	(3202)
WORKING CAPITAL	**(9252)**	**34,654**

Payments for investments in property, plant and equipment during financial year 2020 amounted to 3.4 million euro, compared to payments in financial year 2019 of 4.3 million euro.

As part of this pursuit of cash protection and to strengthen and protect our liquidity position despite the uncertain financial year 2021, the Group is working to raise additional funding. The Group has applied for temporary public support from the Solvency Support Fund for Strategic Companies affected by the pandemic in the amount of 112.8 million euro.

As detailed in note 19 b) of the notes to the 2020 consolidated annual accounts and on the Tubos Reunidos website, the average payment period for suppliers is 119 days, compared to 95 from financial year 2019. The Company has implemented a series of measures mainly aimed at identifying deviations through the regular monitoring and analysis of accounts payable to suppliers and the review of internal supplier management procedures and the conditions defined in commercial transactions subject to applicable regulations.

4. Main risks and uncertainties

The main risks and uncertainties of the Group's businesses are described in detail in the Notes to the consolidated annual accounts, which are presented and prepared by the Board of Directors in accordance with International Financial Reporting Standards, as well as in the Annual Corporate Governance Report.

5. Important circumstances taking place after year-end

No significant Subsequent Events have occurred after the year end.

6. Information on the foreseeable development of the Company

The pandemic and the international health crisis unleashed by the outbreak of COVID-19 has plagued the market, and particularly the sector in which the Tubos Reunidos Group operates, with major challenges: a sharp fall in economic indicators in all sectors, the collapse of demand and the need to ensure the best possible protection for the health of our workers.

On the other hand, despite the repeated "waves" of the pandemic, the inexorable progress of vaccinations around the world gives reason to hope for an end to the crisis by 2021.

The most likely scenario is a slow and gradual improvement in the economic outlook as vaccinations accelerate and measures taken to contain the virus are lifted. In any case, “uncertainty” and “volatility” are the words that best define both the current situation and any projections about the duration of the pandemic and the effects, whether social and/or economic, that it will leave behind.

The Power Generation, Petrochemicals and Refining (Downstream) segment, a sector in which outstanding order intake was achieved in 2019, has suffered over the past year from the slowdown both in projects that were already in the Tubos Reunidos Group's portfolio and in the investment decisions of those that already had a budget allocated. A progressive recovery of these projects is expected in 2021, even though new investment decisions are not expected until the second half of the year. Also forecast is a slight increase in product demand from the maintenance plans of refining, chemical and petrochemical plants, and industry in general, that cannot be put off any longer.

Likewise, the contractions in the midstream segment remain weak due to the slowdown in investment decisions on new projects.

Demand in the upstream sector (OCTG) is on a downward trend in the United States, with operators prioritising cash flow through cost control and cost cutting in the face of difficulties in obtaining new financing. The number of active oil and gas rigs in the United States, the driver of the evolution of the demand for seamless steel pipes in this market, has risen slightly since December last year in line with the rise in the price of a barrel of oil. However, despite these positive signs, the volatility and lack of demand caused by the pandemic continue to be a barrier that prevent the forecast of stability in these indicators.

The mechanical segment remains most stable and has had the most positive outlook throughout the year, though a significant reduction in stock and concentrations is expected in the distribution chain.

Asia and the Middle East remain the areas where a more active recovery is possible. Tubos Reunidos Group is strengthening its commercial presence in these markets.

The Group started 2021 with a weak portfolio due to the effects of COVID-19 on the various sectors and regions in which it operates. Still, this portfolio is much more diversified and has much greater capillarity in key segments, such as downstream. This positioning should allow the Group to take advantage of new opportunities in products and businesses as a result of the government financing policies being implemented throughout the world. It can use this to guide its exit from this crisis by incentivising innovation and accelerating the transition to cleaner energies.

The reduced carbon footprint promoted by governments in almost all countries around the world will accelerate the advancement of clean energies, such as nuclear, offshore wind, geothermal, green hydrogen/eFuels, biomass, incinerators and solar thermal. It will also promote increased natural gas consumption for the new combined cycle plants that work at higher temperatures (more environmentally efficient) and hybrid plants (renewable gas-sources), to the detriment of coal.

Our **Eco-Downstream Innovation** strategy is a commitment to differentiate niche products with high added value that require technical capacity, industrial experience, know-how, flexibility, quality and differentiating innovation for our clients with a renowned, prestigious brand, offering them agile and reliable service.

We reiterate that the Group's top priority at this time is the protection of cash flow together with the progressive implementation of the organisational and business measures resulting from the update of the Strategic Plan, as a consequence of both the current crisis and the persistence of steel tariffs in the United States and the disruption in value chains caused by the trade war between the United States and China.

In this context, the Tubos Reunidos Group continues to take the necessary preventive measures to ensure the health of all workers in daily operations, to respond to client requirements by fulfilling all contracts and to adapt productive capacities to demand, putting the focus on the financial stability of the Group.

7. R&D investment and activities

Financial year 2020 was another year characterised by the containment of the Group's investment effort. The investments made have been mainly focused on improvements from the point of view of Occupational Risk Prevention, facility maintenance and initiatives for the improvement of processes aligned with the TRansforma 360º plan.

In December 2020, the Tubos Reunidos Group received the industrial innovation award at the sixth edition of the Vodafone Deia Innovation Sariak. In this edition and despite the times of crisis, the work of our Group has been recognised in terms of its commitment to innovation.

During the 2020 financial year, we have given a boost to the Group's internal Innovation and Development Committee with the aim of reshaping the management model and providing a more agile response to the growing needs of our customers. We have implemented a system for collecting and analysing signals, which allows us to tackle the innovation and development projects, both at the process and product level, in a way that is more aligned with market demands.

Within the R&D+I developments and in relation to the power generation target sector (Downstream-Powergen), the ACHIEF project began in 2020, together with 11 other European partners, approved by the European Commission within the SPIRE08 programme. It is aimed at developing innovative materials for application in energy intensive industries (EII), in order to reduce the impact on the generation of greenhouse gases, as well as improving the efficiency and life expectancy of the equipment used. Specifically, the Tubos Reunidos Group is involved in improving the high temperature creep behaviour of the 12%Cr furnace grade, and the supply of alloyed piping for the subsequent application of innovative coatings to improve erosion and corrosion resistance.

Likewise, the internal development of the manufacture of austenitic stainless steel ingots in almost all grades (TP321H and TP347H, T304L and TP316L) from our own returns has been consolidated with satisfactory results, in order to optimise the manufacture of pipes in these materials.

In addition, the COREAL project is being developed with the aim of achieving new product capabilities within the family of nickel-based alloys, used in applications with high thermo-mechanical requirements or in corrosive environments. In 2020, we approved in particular grade N08825 in all dimensions, as well as the preliminary study of N08028.

In the Midstream sector, work has also been done to expand the range of special products, incorporating the X60N and X60NS grades into the catalogue in dimensions that were previously outside the catalogue.

In the OCTG (Upstream) area, significant progress has been made in achieving a new casing dimension (TUBOPRO project) linked to a new steel mill billet format, which is scheduled to be completed in the first half of 2021.

In addition, two new projects focused on high-value-added products in this area were launched in 2020:

The first of these, TUBINOX, is aimed at the integral manufacture in Amurrio of the new API 5CRA OCTG grades for applications with high resistance to combined corrosion, both sour (Sour Service) and sweet (Sweet Service).

Likewise, the development of the new TR125SS grade has been successfully initiated within the framework of the SOURTUBE project, combining high resistance to corrosion in acidic environments and a high Elastic Limit (minimum 125 Ksi).

Finally, we have completed tests to be able to supply large Coupling Stock target pipes for the OCTG sector in special applications.

For the development of these R&D+I, projects we have the support of the Basque Government (HAZITEK), the Provincial Council of Alava (ALAVA INNOVA), and the ERDF (European Regional Development Fund).

For further information, attached to this management report is the Statement of Non-Financial Information, which provides more detailed information in the section "Culture of Innovation and Industrial Excellence".

8. Acquisition and disposal of treasury shares

During 2020, the only transactions with treasury shares took place under the Liquidity Contract. Both the conditions of the contract and the details of the specific transactions carried out have been duly informed to the CNMV and are available on the CNMV's website. As a summary, during financial year 2020, 4,637,048 treasury shares were purchased and 4,605,838 were sold, with treasury share balance at 31 December of 805,274 shares, all with a nominal value of 0.02 euro per share as stated in note 15 to the consolidated annual accounts, amounting to 1.071 thousand euro. This represents 0.46% of the total share capital of the Company.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED LIMITED LIABILITY COMPANIES

ISSUER'S IDENTIFICATION DETAILS

End date of relative financial year: 31/12/2020

CTC: A-48011555

Company name:

TUBOS REUNIDOS, S.A.

Registered office:

BARRIO SAGARRIBAI, S/N°, (AMURRIO) ÁLAVA, SPAIN

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
02/08/2019	3,493,617.76	174,680,888	174,680,888

Indicate if there are different types of shares with different rights associated:

[ ] Yes
[√] No

As the Company informed the market by means of a Relevant Fact on 9 August 2019, on 2 August 2019, the deed of capital reduction of the Company was registered in the Commercial Register of Álava, which took place by reducing the nominal value of all the shares to 0.02 euro and the creation of an unavailable reserve, in accordance with the provisions of Article 335 c) of the Spanish Companies Act.

A.2. List the direct and indirect owners of significant shareholdings at the end of the financial year, excluding directors:

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
CARMEN DE MIGUEL NART	3.82	0.00	0.00	0.00	3.82
JOAQUÍN GÓMEZ DE OLEA MENDARO	4.51	2.05	0.00	0.00	6.56
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	0.00	14.87	0.00	0.00	14.87
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	0.00	10.22	0.00	0.00	10.22
ELGUERO, S.A.	3.33	0.00	0.00	0.00	3.33

In relation to the list of the significant shareholders of the Company, we must report that direct owner Carmen de Miguel Nart died on 12 February 2021 and that as at the date of publication of this report, her estate has not yet been divided up and adjudicated.

Breakdown of indirect shareholdings:

Name or company name of the indirect shareholder	Name or company name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	total % of voting rights
JOAQUÍN GÓMEZ DE OLEA MENDARO	ALFONSO BARANDIARAN OLLEROS	0.52	0.00	0.52
JOAQUÍN GÓMEZ DE OLEA MENDARO	GUILLERMO BARANDIARAN OLLEROS	0.33	0.00	0.33
JOAQUÍN GÓMEZ DE OLEA MENDARO	MARÍA BARANDIARAN OLLEROS	0.33	0.00	0.33
JOAQUÍN GÓMEZ DE OLEA MENDARO	ALEJANDRA LUCA DE TENA OYARZUN	0.00	0.00	0.00
JOAQUÍN GÓMEZ DE OLEA MENDARO	GUESINVER, SICAV S.A.	0.60	0.00	0.60
JOAQUÍN GÓMEZ DE OLEA MENDARO	VIKINVEST, SICAV S.A.	0.28	0.00	0.28
JOAQUÍN GÓMEZ DE OLEA MENDARO	GESLURAN SL	0.00	0.00	0.00
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	BANCO INDUSTRIAL DE BILBAO, S.A.	14.87	0.00	14.87
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	ALFONSO ZORRILLA DE LEQUERICA PUIG	1.10	0.00	1.10
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	MERCEDES PUIG PEREZ DE GUZMAN	5.82	0.00	5.82
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	MERCEDES ZORRILLA DE LEQUERICA PUIG	1.10	0.00	1.10
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	LETICIA ZORRILLA DE LEQUERICA PUIG	1.10	0.00	1.10
ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	PILAR ZORRILLA DE LEQUERICA PUIG	1.10	0.00	1.10

Indicate the most significant transactions in the shareholder structure during the year:

Most significant transactions
The shareholding of indirect owner Santiago Ybarra Churruca has been gradually reduced throughout 2020, and on 14 July 2020 it was reported that his shareholding (held by the direct owner SANTURRARAN S.A.) fell below the 3% threshold considered as a significant shareholding (from 3.331% to 2.708%). The division and adjudication of the estate of indirect owner Mr Emilio Ybarra Churruca, who died on 17 July 2019, took place on 19 February 2020. As of that date, direct owner ELGUERO S.A., which was controlled by Mr Emilio Ybarra Churruca, is owned by the Ybarra Aznar brothers in four equal parts and is not controlled by any individual or legal entity.

A.3. Complete the following tables on the members of the company's Board of Directors who possess voting rights over the company's shares:

Name or company name of the director	% voting rights attributed to the shares		% voting rights through financial instruments		total % of voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JORGE GABIOLA MENDIETA	0.14	0.01	0.00	0.00	0.15	0.00	0.00
MR ALFONSO BARANDIARAN OLLEROS	0.51	0.01	0.00	0.00	0.52	0.00	0.00
MS LETICIA ZORRILLA DE LEQUERICA PUIG	1.10	0.00	0.00	0.00	1.10	0.00	0.00

% total of voting rights held by the Board of Directors	1.75

Breakdown of indirect shareholdings:

Name or company name of the director	Name or company name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	total % of voting rights	% voting rights that can be transferred through financial instruments
MR JORGE GABIOLA MENDIETA	MS MARIA BELEN BARAINCA VICINAY	0.01	0.00	0.01	0.00
MR JORGE GABIOLA MENDIETA	MR JORGE GABIOLA MENDIETA	0.00	0.00	0.00	0.00
MR JORGE GABIOLA MENDIETA	MS MARIA GABIOLA BARAINCA	0.00	0.00	0.00	0.00
MR JORGE GABIOLA MENDIETA	MS MARTA GABIOLA BARAINCA	0.00	0.00	0.00	0.00
MR ALFONSO BARANDIARAN OLLEROS	GESLURAN SL	0.01	0.00	0.00	0.00

A.4. Indicate, where appropriate, the family, commercial, contractual or company relations that exist between owners of significant shareholdings, inasmuch as they are known by the company, unless they are of little relevance or arise from the regular line of business, except those included in section A.6:

Related name or company name	Type of relationship	Brief description
No data		

A.5. Indicate, where appropriate, the commercial, contractual or company relations that exist between owners of significant shareholdings and the company and/or the group, unless they are of little relevance or arise from the regular line of business:

Related name or company name	Type of relationship	Brief description
No data		

A.6. Describe the relationships, unless they are of little relevance for the parties, that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity administrators.

Explain, as the case may be, how significant shareholders are represented. Specifically, it shall be indicated which directors have been appointed on behalf of significant shareholders, those whose appointment would have been suggested by significant shareholders, or who are linked to significant shareholders and/or entities of their group, specifying the nature of such relationships. In particular, it shall be mentioned, where appropriate, the existence, identity and position of board members, or representatives of directors, of the listed company who are, in turn, members of the administrative body, or their representatives, in companies that hold significant shareholdings in the listed company or in entities of the group of such significant shareholders:

Name or company name of the linked director or representative.	Name or company name of the linked significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
MR ALFONSO BARANDIARAN OLLEROS	MR JOAQUÍN GÓMEZ DE OLEA MENDARO	MR JOAQUÍN GÓMEZ DE OLEA MENDARO	Family. The Director is a second-degree collateral relative of Mr Joaquín Gómez de Olea Mendaro by affinity and holds shares in the significant shareholder Acción Concertada Grupo Barandiaran.
MS LETICIA ZORRILLA DE LEQUERICA PUIG	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	Family. The Director is a member of the Zorrilla-Lequerica family and holds shares in the significant shareholder Acción Concertada Grupo Zorrilla-Lequerica Puig.
MR CRISTÓBAL VALDÉS GUINEA	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	Family. The Director is related by affinity to the persons holding shares in the significant shareholder Zorrilla Lequerica Puig Group Concerted Action
MR ENRIQUE MIGOYA PELÁEZ	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	Professional. The Director is a director of the significant shareholder, in the area of Equity Holdings - Strategy & M&A.
MR EMILIO YBARRA AZNAR	ELGUERO, S.A.	ELGUERO, S.A.	Professional. The Director holds 25% of the share capital and is a member of the Board of Directors. The remaining capital is held by persons

Name or company name of the linked director or representative.	Name or company name of the linked significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
			related to the Director, with no person controlling the significant shareholder.

At year-end 2020, the shareholders with significant shareholdings represented on the Board were as follows:
1.- BBVA has one representative, Mr Enrique Migoya;
2.- The Zorrilla-Lequerica Group has two representatives, Ms Leticia Zorrilla de Lequerica and Mr Cristóbal Valdés;
3.- The Barandiarán Group has one representative, Mr Alfonso Barandiarán; and
4.- ELGUERO, S.A. has one representative, Mr Emilio Ybarra Aznar.

The shareholder ALANTRA ASSET MANAGEMENT, considered significant as at 1 January 2019 with 4.99% of the share capital, had one representative on the Board, "QMC Directorships, S.L." represented by Mr Jacobo Llanza, professional, until 30 January 2020, the date on which it voluntarily ceased to be a shareholder due to the total divestment of the stake held by QMC II Iberian Capital Fund FIL in the Company, once the initially planned period of permanence had expired.

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Companies Act. If so, briefly describe them and list the shareholders linked to the agreement:

[ ] Yes
[√] No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, briefly describe them:

[√] Yes
[ ] No

Participants in the concerted action	% of share capital affected	Brief description of the concerted action	Expiry date of the concerted action, if applicable
MR ALFONSO ZORRILLA DE LEQUERICA PUIG, MS MERCEDES PUIG PEREZ DE GUZMAN, MS MERCEDES ZORRILLA DE LEQUERICA PUIG, MS LETICIA ZORRILLA DE LEQUERICA PUIG, MS PILAR ZORRILLA DE LEQUERICA PUIG	10.22	ZORRILLA-LEQUERICA PUIG GROUP TACIT CONCERTED ACTION	NONE
MR JOAQUÍN GÓMEZ DE OLEA MENDARO, MR ALFONSO BARANDIARAN OLLEROS, MR GUILLERMO BARANDIARAN OLLEROS, MS MARÍA BARANDIARAN OLLEROS, MS ALEJANDRA	6.56	BARANDIARAN GROUP TACIT CONCERTED ACTION	NONE

Participants in the concerted action	% of share capital affected	Brief description of the concerted action	Expiry date of the concerted action, if applicable
LUCA DE TENA OYARZUN, GUESINVER, SICAV S.A., VIKINVEST, SICAV S.A., GESLURAN S.L.			

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

No changes took place in 2020

A.8. Indicate whether any individual or legal entity currently exercises control or could exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act. If so, identify them:

[ ] Yes
[√] No

A.9. Complete the following tables on the company's treasury shares:

At the end of the financial year:

Number of direct shares	Number of indirect shares(*)	Total % of share capital
	805,274	0.46

(*) Through:

Name or company name of the direct shareholder	Number of direct shares
CLIMA, S.A.	805,274
Total	805,274

Explain the significant changes during the financial year:

Explain the significant changes

A) ON 2 APRIL 2020, THE COMPANY’S TREASURY SHARE TRANSACTIONS FROM THE FIRST QUARTER OF THE YEAR WERE REPORTED TO THE CNMV. THESE TRANSACTIONS INVOLVED AN ACQUISITION OF 1,300,503 SHARES AND THE SALE OF 1,120,501 SHARES
B) ON 2 JULY 2020, THE COMPANY’S TREASURY SHARE TRANSACTIONS FROM THE SECOND QUARTER OF THE YEAR WERE REPORTED TO THE CNMV. THESE TRANSACTIONS INVOLVED AN ACQUISITION OF 892,906 SHARES AND THE SALE OF 831,079 SHARES
C) ON 5 OCTOBER 2020, THE COMPANY’S TREASURY SHARE TRANSACTIONS FROM THE THIRD QUARTER OF THE YEAR WERE REPORTED TO THE

CNMV. THESE TRANSACTIONS INVOLVED AN ACQUISITION OF 511,236 SHARES AND THE SALE OF 455,909 SHARES
D) ON 7 JANUARY 2021, THE COMPANY'S TREASURY SHARE TRANSACTIONS FROM THE FOURTH QUARTER OF THE YEAR WERE REPORTED TO THE CNMV. THESE INVOLVED AN ACQUISITION OF 1,932,403 SHARES AND THE SALE OF 2,198,349 SHARES

A.10. Detail the conditions and term of the existing mandate from the Shareholders' Meeting to the Board of Directors to issue, buy back or transfer treasury shares:

The General Shareholder's Meeting, held on 29 October 2020, authorised the purchase of treasury shares by the Company and its subsidiaries, using any method of purchase, up to the maximum number of shares permitted by commercial legislation currently in force for a price equivalent to the quoted price on the date each transaction takes place, granting said authorisation for a period of five years from the date of approval of this agreement, that is, until 29 October 2025. At that Meeting, it was agreed to render null and void, in relation to those agreements not executed, the authorisation granted at the General Shareholder's Meeting on 27 June 2019, and that the derivative acquisition operations of treasury shares would be carried out observing the conditions established in the applicable legislation at all times.

A.11. Estimated floating capital:

	%
Estimated floating capital	61.32

The percentage of the company's total shares that are tradable on the stock exchange and not controlled by shareholders in a stable manner has increased in 2020 due to the reduction of the stake of the significant shareholder Santiago Ybarra Churruca.

A.12. Indicate whether there are any restrictions (statutory, legislative or otherwise) on the transfer of securities and/or of there are any restrictions on the right to vote. In particular, the existence of any type of restrictions that may hinder the takeover of the company through the acquisition of its shares on the market shall be notified, as well as any prior authorisation or notification regimes applicable to the acquisition or transfer of the company's financial instruments under sectoral regulations.

[ ] Yes
[√] No

A.13. Indicate whether the General Shareholders' Meeting has agreed to adopt neutralisation measures in the event of a public takeover bid pursuant to the provisions of Law 6/2007.

[ ] Yes
[√] No

If applicable, explain the approved measures and terms under which the restrictions shall become ineffective:

A.14. Indicate whether the company has issued securities that are not traded on a regulated EU market.

[ ] Yes
[√] No

Where applicable, indicate the different classes of shares and the rights and obligations that each class of shares confers:

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate and, if applicable, describe whether there are any differences with the minimum regime provided for in the Spanish Companies Act with regard to the quorum required for the constitution of the General Shareholders' Meeting:

[ ] Yes
[√] No

B.2. Indicate and, if applicable, describe whether there are any differences with the system provided for in the Spanish Companies Act for the adoption of corporate resolutions:

[ ] Yes
[√] No

B.3. Indicate the rules applicable to modification of the company articles of association. In particular, describe the majorities established for the amendment of the articles of association and, where appropriate, the rules laid down for the protection of shareholders' rights when the articles of association are amended.

The rules applicable to the modification of the Company Articles of Association are those provided for in the Spanish Companies Act with no special feature in this regard.

B.4. Indicate the attendance figures for the General Shareholders' Meeting held in the financial year to which this report refers and those of the two previous financial years:

General shareholders' meeting date	Attendance figures				
	% attending in person	% by proxy	% by distance voting		Total
			Electronic vote	Other	
29/06/2016	32.26	30.17	0.00	0.00	62.43
Of which floating capital	0.97	9.25	0.00	0.00	10.22
22/06/2017	34.87	28.91	0.00	0.00	63.78
Of which floating capital	6.50	5.04	0.00	0.00	11.54
27/06/2018	35.53	23.45	0.00	0.00	58.98
Of which floating capital	2.50	7.82	0.00	0.00	10.32
27/06/2019	25.80	26.98	0.00	0.00	52.78
Of which floating capital	2.07	3.20	0.00	0.00	5.27
27/07/2019	17.00	36.78	0.00	0.00	53.78
Of which floating capital	0.09	11.04	0.00	0.00	11.13
29/10/2020	23.80	22.00	1.70	0.25	47.75
Of which floating capital	0.00	2.62	1.70	0.25	4.57

Exceptionally, due to the limitations arising from the public health risk caused by the COVID-19 pandemic, the 2020 General Shareholders' Meeting was held with exclusively remote attendance, i.e. without the physical attendance of shareholders or proxies, but fully preserving their political rights of attendance and voting, as the Board of Directors provided the necessary means to enable shareholders, their proxies and guests to attend remotely, connecting in real time and following the Meeting, which was broadcast live via streaming.

Likewise, previously accredited shareholders were able to make their contributions at the General Shareholders' Meeting remotely in real time, and received a link through which they could exercise their right to vote remotely on the proposed resolutions.

The percentage of physical attendance derives from the fact that the directors were counted as physically present. However, for all appropriate purposes, the attendance of the remaining shareholders by electronic means was considered equivalent to attendance in person at the General Shareholders' Meeting

B.5. Indicate whether at the General Shareholders' Meeting held during the year there have been any items on the agenda that, for whatever reason, have not been approved by the shareholders:

[ ] Yes
[√] No

B.6. Indicate whether there is any statutory restriction establishing a minimum number of shares required to attend the General Shareholders' Meeting, or to vote remotely

[ ] Yes
[√] No

B.7. Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, disposal, the contribution to another company of essential assets or other similar corporate operations, must be submitted to the General Shareholders' Meeting for approval:

[ ] Yes
[√] No

B.8. Indicate the address and mode of access on the company's website to information on corporate governance and other information on General Shareholders' Meetings that must be made available to shareholders through the company's website:

The address of the company's website is www.tubosreunidos.com, and information on Corporate Governance and other information on General Shareholders' Meetings that must be made available to shareholders is included in the Shareholder and Investor Information section of the website. The video of the 2020 General Shareholders’ Meeting is available in the General Meeting section at the following link: https://youtu.be/qACA9swHIwQ

C. CORPORATE MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors provided for in the company articles of association and the number set by the General Shareholders' Meeting:

Maximum number of directors	14
Minimum number of directors	5
Number of directors set by the General Shareholders' Meeting	10

C.1.2 Complete the following table with the board members' details:

Name or company name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
MR JORGE GABIOLA MENDIETA		Independent	INDEPENDENT COORDINATING DIRECTOR	30/05/2013	29/10/2020	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR EMILIO YBARRA AZNAR		Proprietary	DEPUTY CHAIRMAN	16/08/1999	22/06/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR ALFONSO BARANDIARAN OLLEROS		Proprietary	DIRECTOR	27/09/2013	22/06/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MS ANA ISABEL MUÑOZ BERAZA		Independent	DIRECTOR	07/05/2015	27/06/2019	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JUAN MARÍA ROMÁN GONCALVES		Independent	DIRECTOR	22/06/2017	22/06/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MS LETICIA ZORRILLA DE LEQUERICA PUIG		Proprietary	DIRECTOR	29/06/2004	22/06/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR CRISTÓBAL VALDÉS GUINEA		Proprietary	DIRECTOR	27/02/2018	27/06/2018	GENERAL SHAREHOLDERS' MEETING

Name or company name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
						RESOLUTION
MR ENRIQUE MIGOYA PELÁEZ		Proprietary	DIRECTOR	31/05/2018	27/06/2019	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR FRANCISCO IRAZUSTA RODRIGUEZ		Executive	CHAIR	28/04/2020	29/10/2020	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JESÚS PÉREZ RODRIGUEZ-URRUTIA		Other External	DIRECTOR	30/01/2020	29/10/2020	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of directors	10

Indicate any resignations from the Board of Directors during the reporting period, whether due to resignation or by resolution of the General Shareholders' Meeting:

Name or company name of the director	Category of the director at the time of departure	Date of last appointment	Date of departure	Specialised committees of which they were a member	Indicate if they left before the end of their term of office
QMC DIRECTORSHIPS, S.L.	Proprietary	27/06/2018	30/01/2020		YES
MR JORGE GABIOLA MENDIETA	Other External	22/06/2017	28/04/2020	Appointments and Remuneration Committee	YES

Reason for departure, if before the end of the term of office and other remarks; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the General Shareholders' Meeting

The resignation of the Corporate Director, QMC Directorships, S.L. (represented by Mr Jacobo Llanza) was carried out by letter dated 24 January, which was sent to all the Directors, with effect from 30 January 2020.

In this letter, QMC Directorships stated that the resignation was solely motivated by the total divestment of the stake that QMC II Iberian Capital Fund FIL held in the Company, once its originally planned period of permanence ended.

The vacancy left as a result of the aforementioned resignation was filled by the appointment of Mr Jesús Pérez Rodriguez-Urrutia as director though the co-option system.

On 28 April 2020, Mr Jorge Gabiola stepped down as other external director and non-executive Chairman (his last appointment had taken place on 22 June 2017), and at the same Board meeting held on 28 April 2020, Mr Gabiola was appointed director by the co-option system with the classification of independent and was designated Coordinating Director, a position he currently holds. On 29 October 2020, the Company’s General Shareholders’ Meeting ratified the appointment of Mr Gabiola as an independent director.

C.1.3 Complete the following tables on the board members and their different categories:

EXECUTIVE DIRECTORS		
Name or company name of the director	Position held in the company	Profile
MR FRANCISCO IRAZUSTA RODRIGUEZ	Executive Chairman	Mr Francisco Irazusta, born in San Sebastian, Spain studied Ceramic Sciences and Engineering at the State University of New York (USA), holds a Master of Science in Industrial Engineering from Alfred University (USA) and postgraduate degrees in management and finance from ESADE and CEU Business School. He began his professional career at the Kohler Group, in the areas of quality and production as Operations Manager in the Group company Jacob Delafon España, taking over the General Management of Spain in 2000 and the General Management of Europe in Paris in 2003. In 2006, he joined the Anglo American Group, returning to Spain as General Manager of the Tarmac Iberia division where he led the sale of the group to Holcim España. In 2008, he joined Nutreco as Managing Director where he led the acquisition and integration of Cargill Animal Nutrition into the Nanta group; and in 2011, he joined CRH as Managing Director of the Building Products Europe division based in Amsterdam. In 2015 he joined Fletcher Building, first as Director of the Light Building Products division in Auckland, New Zealand, then as Director of the international business division in Los Angeles, California (USA), also taking on the position of acting CEO of Fletcher Building in New Zealand for a period of six months. He has been an Independent Director of the Lantero Group (Packaging) and has been a member of the Boards of Directors of various professional associations, holding positions of responsibility. He is also an Independent Director of Garnica Plywood, S.A.U.

Total number of executive directors	1
% of the total of the board	10.00

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or corporate name of the significant shareholder they represent or who has proposed their appointment	Profile
MR EMILIO YBARRA AZNAR	ELGUERO, S.A.	He holds a degree in Law from the Complutense University of Madrid, a certificate in Business Administration from Harvard University in Boston and a Senior Management Programme certificate from IESE. In his professional activity, he has combined international and national experience, and has held various positions of responsibility in listed companies and financial institutions. He began his career as a Corporate Finance analyst at JP Morgan in Madrid, New York and London. In 1993, he joined the international expansion area of Prisa Group in Madrid and began a career in the communication sector, which continued when he moved to Vocento in 1995, where he stayed for 20 years. At Vocento he held responsibilities in the sales and marketing area. He was Managing Director of daily newspapers La Rioja and El Correo (Bilbao) and

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or corporate name of the significant shareholder they represent or who has proposed their appointment	Profile
		assistant to the CEO of the newspaper ABC. He was also Chairman of CMVocento and Managing Director of Communications for the group. He currently runs Kemet Corner, a strategic communications, brand image and public relations consultancy firm. He is an independent director, a member of the Audit Committee, and Chair of the Appointments and Remuneration Committee of Elecnor, S.A.
MR ALFONSO BARANDIARAN OLLEROS	MR JOAQUÍN GÓMEZ DE OLEA MENDARO	Graduate in Law from the University of Deusto in Bilbao. MBA from the University of Houston, Texas. Creating Value Through Financial Management Programme, University of Pennsylvania, The Wharton School. He began his professional career in 1995 at Tafisa in the financial department, moving in 1997 to the French consulting firm Cap Gemini and Gemini Consulting in the strategy area. At the beginning of 2005 he joined the start-up Secosol as Director of national and international expansion, and at the end of 2005 he joined Kroll as Managing Director for Spain and Portugal until 2012. For more than two decades, he has been a director of several subsidiaries of the Elecnor Group. In addition, since 2005 he has sat on various Boards of Directors, having been a Director of Santa Ana de Bolueta. He is currently a Director of Ingeniería Estudios y Proyectos NIP; Tasdey S.A.; Gapara S.L.; and Effective Seaborne Engineering Solution, S.L. (a start-up linked to container shipping); In addition to these positions, he is Chairman of the Board of Mapex, a production control technology company, and a patron of the Gondra Barandiarán Foundation.
MS LETICIA ZORRILLA DE LEQUERICA PUIG	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	Degree in Law from the University of Deusto in Bilbao. MBA from the Universidad Pontificia de Comillas, ICADE Madrid. She began her professional career as a corporate banking manager at Santander Central Hispano. In 2000, she joined Payma Móviles. In 2003, she joined Euroquality as a sales consultant and Boxnox in 2005 as head of organisation and sales.
MR CRISTÓBAL VALDÉS GUINEA	ZORRILLA LEQUERICA PUIG GROUP CONCERTED ACTION	Mr Cristóbal Valdés holds a degree in Law and a certification in Economics from the University of Deusto (Bilbao) and an MBA from the Instituto de Empresa. He has extensive industrial and international experience. He began his professional career in companies such as Carrefour Spain, Leroy Merlin Spain, where he was Purchasing Director, and the Adeo Group in France, where he was International Product Director. In 2008, he joined Bergé Marítima as Chief Executive Officer for seven years, also managing the companies in which the Group has holdings and sitting on eight Boards of Directors linked to the Group. From 2015 to 2019, he was the Chairman of Venanpri Tools, the Tools division of the Venanpri Group, a Canadian-owned multinational group resulting from the merger of the former Ingersoll Tillage Group and Corporación Patricio Echevarría, which has more than 1400 employees and a significant presence in Europe, North America (main market) and Latin America. He is currently Managing Director of the Jealsa Group, a Galician company dedicated, among other activities, to the manufacture and marketing of canned food with 4600 employees. He is also currently a member of the Executive Committee of

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or corporate name of the significant shareholder they represent or who has proposed their appointment	Profile
		ADEGI (Employers' Association of Gipuzkoa) and was Vice Chairman of the employers' association of the ANESCO port companies.
MR ENRIQUE MIGOYA PELÁEZ	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	Mr Enrique Migoya Peláez holds a degree in Economics and Business Administration from the Universidad Autónoma de Madrid, and also holds a certificate from the Management Development Programme and Corporate Management Programme at the IESE Business School. He is currently the Managing Director of BBVA’s Equity Holdings area, where he manages the bank’s investment portfolio. His professional career has been developed mainly in M&A activity, during seven years at the investment bank Goetzpartners, and the last 11 years in various positions at BBVA in both private equity and industrial portfolio management. He represents the bank on various boards of directors, including Informa D&B, Distrito Castellana Norte or Neotec, CESCE, S.A., Corporación IBV Participaciones Empresariales S.A., Neotec Capital Riesgo SCR, Coinversion Neotec SCR, Neotec Capital Riesgo SCR, Momentum Social Investment Holding S.L., PECRI Inversión S.L., Inverahorro S.L., and has participated in others such as Occidental Hoteles or Textil Textura. He is also a director of METROVACESA, S.A.

Total number of proprietary directors	5
% of the total of the board	50.00

INDEPENDENT EXTERNAL DIRECTORS	
Name or company name of the director	Profile
MS ANA ISABEL MUÑOZ BERAZA	Degree in Economics from the University of Zurich (Switzerland). Executive MBA from the University of Chicago. Member of the Advisory Committee of the University of Chicago. Member of the IWF (International Women Forum) Board and Member of the Advisory Board of Spain Start Up. She has completed training courses for directors and corporate governance at the Instituto de Consejeros y Administradores (ICA), as well as the High Performance Boards course at IMD in Switzerland. She has spent her career in the financial markets working at Merryl Lynch in Switzerland, England, the United States and Spain. She has led teams and sat on the management committee in both Zurich and Madrid. Subsequently, she managed a family office in Spain. As a result of her international career, she speaks seven languages. She has been an Independent Director and Chair of the Audit Committee of NATRA, S.A. and the representative of the corporate director, PIZMARGNA SERVICIOS DE CONSULTORIA S.L., in the unlisted company LANINVER S H C, S.L. She is currently an Independent Director of the company Ernesto Ventos, S.A.
MR JUAN MARÍA ROMÁN GONCALVES	Degree in Business Administration and Management from the University of Deusto (Bilbao). He has spent his entire professional career in the world of auditing, 27 years of them as a partner, having been Managing Partner of the Northern Zone of EY, Head of the "Utilities" sector in Spain and member of the Executive Committee of E&Y-Auditoria. For several years he held the position of Managing Director of Human Resources at Ernst &Young Spain and subsequently for the entire area (Italy, Spain and Portugal). He is currently a Director of Erhardt y Cía and a member of the Governing Board of APD Northern Area. He is

	also an Independent Director and Chair of the Audit Committee of CajaSur Banco SAU.
MR JORGE GABIOLA MENDIETA	An attorney with a Law Degree from the University of Deusto, he began his professional career in the audit division of Arthur Andersen, later moving to the legal and tax department of the same firm. In 1986 he joined Tubos Reunidos, where he assumed various responsibilities until 1996, when he was appointed Secretary of the Board of Directors of the parent company, a position he held from 2009 until 15 October 2018 as an independent freelancer with no employment or executive relationship with the Company. He has been a director of Tubos Reunidos S.A. since 30 May 2013, and was appointed non-executive Chairman of the Board of Directors on 15 October 2018. On 28 April 2020, he was appointed Coordinating Director of Tubos Reunidos, S.A. and has also been the Secretary and a Member of the Board of Directors of the Group companies Productos Tubulares and Almacenes Metalúrgicos. He is registered in the Official Registry of Auditors (ROAC) as non-practising. He is currently a director of the company Vicinay, S.A.

Total number of independent directors	3
% of the total of the board	30.00

Indicate whether any director classified as independent receives from the company, or from its group, any amount or benefit for anything other than director's remuneration, or maintains or has maintained, during the last financial year, a business relationship with the company or with any company in its group, either in their own name or as a significant shareholder, director or senior executive of a company that maintains or has maintained such a relationship.

Where appropriate, a reasoned statement by the board as to why it considers that such director is able to perform their duties as an independent director shall be included.

Name or company name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Where appropriate, a reasoned statement by the board as to why it considers that such director is able to perform their duties as an independent director shall be included.			
Name or company name of the director	Reasons	Company, director or shareholder with whom the relationship is maintained	Profile
MR JESÚS PÉREZ RODRIGUEZ-URRUTIA	The Board's classification of Mr Pérez Rodriguez-Urrutia as "Other External" Director at the time of his appointment by the co-option system on 30 January 2020, following the proposal of the Appointments and Remuneration Committee, was due to his previous relationship with the Company for the provision of his professional services from 25 June 2018 to 31 December 2019. The new appointment made by the General Shareholders' Meeting held on 29 October 2020 was made with the same classification for the same reason.	TUBOS REUNIDOS, S.A.	Mr Pérez Rodriguez-Urrutia has extensive experience of over 36 years in management roles in large companies, working as a CEO, Managing Director or Finance Director. Throughout his long professional experience, he has been Chairman of BNPP Real Estate in Spain, CEO of Occidental Hoteles, CFO of Metrovacesa, Corporate Managing Director of Ence Group and CEO of Planeta DeAgostini, as well as CFO and Company Secretary at Abengoa. Within his leadership responsibilities in his executive functions, he has extensive experience working with financial institutions, regulators, investors and public institutions. He has also led corporate transformation processes in coordination with financial institutions, managing their financial and operational restructuring to recover profitability. He has extensive experience on Boards of Directors, having been on those of Abengoa, Befesa, Telvent, Logista, French real estate investment trust Gecina, GMP

OTHER EXTERNAL DIRECTORS			
Where appropriate, a reasoned statement by the board as to why it considers that such director is able to perform their duties as an independent director shall be included.			
Name or company name of the director	Reasons	Company, director or shareholder with whom the relationship is maintained	Profile
			and Levantina de Marmoles, among others. He is currently Senior Advisor for companies such as BNPPRE, Global Exchange and also runs the Business Roundtable of Southern Spain (CESUR) based in Madrid.

Total number of other external directors	1
% of the total of the board	10.00

Indicate the variations, if any, that have taken place over the period in the category of each director:

Name or company name of the director	Date of change	Previous category	Current category
MR JORGE GABIOLA MENDIETA	28/04/2020	Other External	Independent

C.1.4 Complete the table below with the information about the number of female directors in the last four financial years and the status of such directors:

	Number of female directors				% of total directors of each category			
	2020 Financial Year	2019 Financial Year	2018 Financial Year	2017 Financial Year	2020 Financial Year	2019 Financial Year	2018 Financial Year	2017 Financial Year
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	20.00	16.67	16.67	16.67
Independent	1	1	1	1	33.33	33.33	33.33	33.33
Other external					0.00	0.00	0.00	0.00
Total	2	2	2	2	20.00	22.22	22.22	20.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors, with respect to issues such as age, gender, disability or professional training and experience. Small and medium sized enterprises, in accordance with the definition contained in the Accounts Audit Act, will have to report, as a minimum, on the policy that they have established in relation to gender diversity.

[ ] Yes
[ ] No
[√] Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been implemented and their results in the financial year. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors should also be indicated.

In case the company does not apply a diversity policy, explain the reasons why this is the case.

Description of the policies, objectives, measures and way in which they have been implemented, as well as the results obtained

The company does not have a specific written policy on diversity; however, it does apply a diversity policy in the Board. In order to encourage the progressive incorporation of women on the Board of Directors, which will enable the achievement of a balanced and diverse presence of female and male directors, the Appointments and Remuneration Committee's duties include reporting on gender diversity issues and ensuring that when filling vacancies, the selection procedures do not have any implicit biases that hinder the selection of female directors, and deliberately seeking female candidates who meet the required profile.

In 2020, there was a slight reduction in the percentage of female directors from the 22.22% that the Board reached in 2018 and maintained in 2019, with the addition of a new male Board member, the Executive Chairman, although, in application of the unwritten diversity policy, in the search mandate given by the Appointments and Remuneration Committee to the external recruitment firm, special emphasis was placed on including female candidates with the appropriate profile in the process.

C.1.6 Explain any measures that the Appointments Committee has agreed on to ensure that the selection procedures do not have from implicit biases that hinder the selection of female directors and that the company deliberately seeks and includes among the potential candidates, women who meet the professional profile sought and who enable the achievement of a balanced presence of women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior female managers:

Explanation of the measures

The Appointments and Remuneration Committee has been expressly delegated the power to ensure gender equality in all processes of incorporation of new members to the Board of Directors, and this is reflected in practice with the latest incorporations in previous years, in which specific instructions were given to the external advisor for the deliberate search for women with the appropriate profile. The Committee also encourages the inclusion of women in senior management, and this diversity policy has materialised in the incorporation of a new senior manager, the Finance and Management Control Director, in 2020.

When, despite the measures that may have been adopted, there are few or no female directors or senior managers, explain the reasons for this:

Explanation of the reasons

However, the Appointments and Remuneration Committee, chaired by a woman, has expressly stated its position in this respect, and has recorded it in the minutes and informed the Board that in any case it ensures that, when filling new vacancies, both on the Board and in senior management, when the case arises, the selection process does not have implicit biases that hinder the selection of women. The percentage of female directors was 20% in 2020, as was the percentage of female senior management members (20%). The Committee considers that this percentage remains low and maintains its objective of gradually achieving a higher percentage, through the application of the unwritten policy for the selection of directors that the Appointments and Remuneration Committee always keeps in mind, which promotes diversity of knowledge, experience and gender in the composition of the Board, until a balanced composition is achieved, with an increasing proportion of women on the Board.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the Board of Directors.

The Appointments and Remuneration Committee has expressly stated its position in this respect, and has recorded it in the minutes and informed the Board that it will, in any case, ensure that when filling new vacancies on the Board and in senior management, where appropriate, the selection process does not have implicit biases that hinder the selection of women.

The proportion of female directors increased to 22.22% in 2018 (which was maintained in 2019), which represents progress towards the objective of gradually achieving a higher percentage. In 2020, it was slightly reduced to 20%, entirely due to the incorporation of a new director: the Executive Chairman.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Name or company name of shareholder	Reason
No data	

Indicate whether any formal requests for representation on the board have been rejected by shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, give reasons why they were not accepted:

[ ] Yes
[√] No

C.1.9 Indicate the powers and authorities, if any, delegated by the Board of Directors to directors or board committees:

Name or company name of the director or committee	Brief description
DELEGATE COMMITTEE	The Delegate Committee has general decision-making powers and, therefore, has express delegation of all the power that can be legally or statutorily delegated, unless a decision to act otherwise is made when it is established, which has not taken place. In the Delegate Committee, also called the Executive Committee, the participatory structure of the categories of directors is similar to that of the Board itself, and the Chair and Secretary are the same as those of the Board of Directors. The same rules of procedure apply to the Delegate Committee as to the Board of Directors. The Delegate Committee did not meet in 2020.

C.1.10 Indicate the members of the board, if any, who hold office as directors, representatives of directors or executives in other companies belonging to the listed company’s group:

Name or company name of the director	Corporate name of the group entity	Position	Do they have executive powers?
No data			

C.1.11 Give details, where applicable, of the directors or representatives of legal entity directors of your company, who are members of the Board of Directors or representatives of legal entity directors of other companies listed on regulated markets other than your group, which have been reported to the company:

Name or company name of the director	Company name of the listed entity	Position
MR EMILIO YBARRA AZNAR	ELECNOR, S.A.	DIRECTOR

C.1.12 Indicate and, if applicable, explain whether the company has established rules on the maximum number of company boards that its directors can sit on and, if applicable, where it is regulated:

[ ] Yes
[√] No

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

Remuneration accrued in the year in favour of the Board of Directors (thousands of euro)	1014
Amount of the rights accumulated by the current directors with regard to pensions (thousands of euro)	16
Amount of the rights accumulated by the previous directors with regard to pensions (thousands of euro)	

In 2019 the total remuneration of the Board experienced a significant reduction compared to 2018 due to the absence of an Executive Chairman.
In 2020, this total remuneration will increase compared to 2019 due to the addition of the new Executive Chairman, Mr. Francisco Irazusta.

C.1.14 Identify the members of senior management who are non-executive directors and indicate the total remuneration they have accrued during the fiscal year:

Name or company name of the director	Position/s
MR MIGUEL GARRIDO IRIA	S & OP DIRECTOR
MR JON ZARANDONA RECALDE	PT INDUSTRIAL DIRECTOR
MR CARLOS LÓPEZ DE LAS HERAS	MANAGING DIRECTOR
MR IÑIGO URRUTIKOETXEA PORTUGAL	SALES DIRECTOR
MR ANTON PIPAON PALACIO	DEPUTY MANAGING DIRECTOR
MR ANDONI JUGO ORRANTIA	TRI INDUSTRIAL DIRECTOR
MS INÉS NÚÑEZ DE LA PARTE	SECRETARY OF THE BOARD AND DIRECTOR OF LEGAL ADVISORY SERVICES
MR FRANCESC RIBAS COLLELL	DIRECTOR OF TUBOS REUNIDOS AMÉRICA
MS IZASKUN EYARA ALVAREZ	FINANCE AND MANAGEMENT CONTROL DIRECTOR
MR JON BIKANDI ITURBE	PT DEPUTY INDUSTRIAL DIRECTOR

Number of women in senior management	2
Percentage of total members of senior management	20.00

Total remuneration of senior management (thousands of euro)	1797

Ms Izaskun Eyara Alvarez was appointed as the Company's Financial Director on 13 January 2020

C.1.15 Indicate if any modifications have been made to the board regulations in the financial year:

[ ] Yes
[√] No

C.1.16 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. Describe the competent bodies, the processes followed and the criteria employed in each procedure.

The Directors are appointed by the General Shareholders' Meeting or provisionally by the Board of Directors in situations of co-option.

The Board of Directors shall endeavour, within the scope of their respective competences, to ensure that the appointment of candidates is carried out by persons of known ability, experience and prestige.

The APPOINTMENTS AND REMUNERATION COMMITTEE is assigned the following functions, amongst others, by the Board:
a) Report the proposals for appointments and re-election of Directors and formulate the proposals of Independent Directors
b) Report the proposals for dismissal of members of the Board
c) Verify the character of each Director
d) Assess the competences, knowledge and experience required on the Board

The re-election procedure is the same as the one for appointments, with the exception of the co-option system, which does not apply.

Directors shall leave office at the end of the term for which they were appointed, unless they are re-elected, without prejudice to the powers of the General Shareholders' Meeting to remove them and the provisions of the Board Regulations.

C.1.17 Explain to what extent the annual assessment of the board has given rise to major changes in the internal organisation and to the procedures applicable to its activities:

Description of modifications

The result of the annual evaluation of the Board in 2020 has been satisfactory, which is why in 2021 no changes have been made to the organisation or procedures applicable to the activities of the Board of Directors, although an Action Plan has been developed to strengthen the value contribution of the Board of Directors to Tubos Reunidos.

Describe the assessment process and the areas assessed that have been carried out by the Board of Directors assisted, if applicable, by an external consultant, with respect to the operation and composition of the board and its committees and any other area or aspect that has been subject to assessment.

Description of the assessment process and the areas assessed

The Board of Directors has carried out the assessment of the overall operation and effectiveness of the Board and its committees, as well as the individual assessment of the Executive Chairman and the Secretary of the Board, as professionals in the service of good corporate governance, with the help of the consultant Parangon Partners.

Through this process, the strengths and possible areas for improvement of the Board (as a collegiate body) and of its committees and positions have been identified, and an Action Plan has been drawn up to strengthen the value contribution of the Board of Directors to Tubos Reunidos in order to ensure its growth and future sustainability, establishing the necessary metrics for subsequent evaluations.

This independent firm specialized in advising boards of directors has also provided its recommendations for updating the Board's competency matrix, in order to adapt it to the Company's current and future challenges, in an ever-changing environment where innovation, sustainability, the technological revolution, uncertainty and crisis management are key, especially after the crisis caused by COVID-19.

The objective of the assessment is to ensure an efficient, cohesive, sustainable management body aligned with the strategy of Tubos Reunidos.

The assessment process of the Board of Directors of Tubos Reunidos has been based on the CNMV's recommendations and technical guidelines, on international good governance codes and on best practices currently applied in this field, including the latest trends and studies in national and international corporate governance. The approach has been eminently practical, addressing very specific and key issues in the functioning of the Board of Directors of Tubos Reunidos.

The process has been carried out through the analysis of all corporate documentation, including internal rules, meeting minutes, and through two-hour personal interviews with each board member. A comprehensive assessment of the governance model has been carried out: adequacy, structure, functioning, performance based on the Company's Articles of Association, the Board and Committee Regulations, as well as other internal documents.

In the assessment, each member of the Board has provided an opinion on:
o The achievement of the Board's objectives
o The structure and composition of the Board
o The size of the Board and its suitability for a balanced debate
o The Board's operation and procedures
o The structure and contribution of Board Committees
o The diversity of, among other things, experiences, backgrounds, gender and age

C.1.18 For those years in which the assessment has been assisted by an external consultant, please break down the business relationships that the consultant or any company in its group has with the company or any company in its group.

The process of assessing the functioning of the Board, its Committees and positions in the 2020 financial year was carried out with the assistance of the external consultant PARANGON Partners, a firm with extensive experience in the assessment of Boards of Directors of listed companies, which has no business relationship with the Company or with any company in the Tubos Reunidos Group. Parangon is not part of a group of companies, and its complete independence was verified by the Appointments Committee prior to the signing of the service contract.

C.1.19 Indicate the situations in which board members are obliged to resign.

Directors must tender their resignation from the Board of Directors and formalise, if the Board deems it appropriate, the corresponding resignation in the following cases (Art. 18 of the Board Regulations):

a) On the date on which the first General Shareholders' Meeting is held after reaching the 70 years of age.
b) When they are subject to any conflict of interest or legal disqualification from holding office.
c) When they are convicted of a criminal offence or are subject to a disciplinary sanctions for serious or very serious misconduct as a result of proceedings conducted by the supervisory authorities.
d) When they are severely reprimanded by the Board of Directors for violating their obligations as Directors.
e) When they cease to perform the duties and functions associated with the role they were appointed to as an executive director.

f) In the case of external proprietary directors, when the shareholder whose interests they represent transfers all their shares or reduces them to a percentage that makes it advisable to reduce the number of external proprietary directors appointed.

The members of the Committees and Chief Executive Officers shall cease to hold office when they cease to be Directors.

Executive directors shall, by reason of their age, relinquish their executive position on the Board when they reach the age of 65.

C.1.20 Are qualified majorities, other than legal majorities, required for any type of decision?:

[ ] Yes
[√] No

If applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed Chairman of the Board of Directors:

[ ] Yes
[√] No

C.1.22 Indicate if the articles of association or regulations of the Board of Directors establish an age limit for directors:

[√] Yes
[ ] No

	Age limit
Chairman	70
CEO	65
Director	70

C.1.23 Indicate if the articles of association or regulations of the Board of Directors establish a limited mandate or other additional and stricter requirements to those legally set for independent directors other than those included in the regulations:

[ ] Yes
[√] No

C.1.24 Indicate if the articles of association or regulations of the Board of Directors establish any specific rules for voting by proxy at board meetings on behalf of other directors, the manner of doing so and, in particular, the maximum number of proxy appointments a director may make. Also indicate whether there are any limitations on the categories for proxy appointments, beyond those established by law. Where applicable, give a brief description of the rules.

Pursuant to the provisions of the Regulations of the Board, Directors may be represented on the Board by other Directors in the customary manner and there is no maximum number of proxies or limitation on the category of Director that may be appointed as proxy.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate the number of times the Board has met without the Chairman in attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	15
Number of Board meetings without the Chairman in attendance	0

Indicate the number of meetings held by the coordinating director with the other directors, without the attendance or proxy representation of any executive director:

Number of meetings	0

Indicate the number of meetings of the various Board committees during the year:

Number of AUDIT COMMITTEE meetings	6
Number of APPOINTMENTS AND REMUNERATION COMMITTEE meetings	4
Number of DELEGATE COMMITTEE meetings	0

The Coordinating Director's contact with the other directors is fluid and permanent, and it has not been necessary to channel it formally in Board meetings without the presence of the executive director, especially in the context of the COVID-19 pandemic.

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and the attendance figures of its members:

Number of meetings attended in person by at least 80% of the directors	15
Attendance in person as a % of total votes during the financial year	100.00
Number of meetings attended in person, or proxies appointed with specific instructions, by all the directors	15
% of votes cast with attendance in person and proxies appointed with specific instructions, out of total votes during the financial year	100.00

C.1.27 Indicate whether the individual and consolidated annual accounts presented to the board for preparation are previously certified:

[√] Yes
[ ] No

Identify, if applicable, the person(s) who has/have certified the individual and consolidated annual accounts of the company, for their preparation by the board:

Name	Position
MR CARLOS LÓPEZ DE LAS HERAS	MANAGING DIRECTOR
MS IZASKUN EYARA ALVAREZ	FINANCE AND MANAGEMENT CONTROL DIRECTOR

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations.

The external auditors present their draft audit report on the individual and consolidated annual accounts to the Board of Directors prior to the preparation of the financial statements, so that the Board may, if it deems appropriate, take the necessary measures to avoid a qualified report.

C.1.29 Is the secretary of the board a director?

[ ] Yes
[√] No

If the secretary is not a director, complete the table below:

Name or company name of the secretary	Representative
MS INÉS NÚÑEZ DE LA PARTE	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

The proposal to the Board regarding the appointment of the external auditor, for submission to the General Shareholders' Meeting, is the responsibility of the Audit Committee, which must ensure the auditor's independence.

In accordance with the provisions of the new Accounts Audit Act of 9 July 2015, the Audit Committee has received written confirmation from the external auditors (EY) of their independence, as well as information on additional services of any kind provided to the company or related companies by the auditors or persons related to them. Likewise, the Audit Committee, having analysed the aforementioned EY report, has issued, prior to the issuance of the audit report, a report in which it expressed its opinion on the independence of the auditor and on the provision of services in addition to those of the accounts audit.

C.1.31 Indicate if the Company has changed external auditors over the year. If so, indicate the outgoing and incoming auditor:

[ ] Yes
[√] No

In the event that there were disagreements with the outgoing auditor, explain the content of these:

[ ] Yes
[√] No

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group and if so, state the amount of fees received for such work and the percentage that the above amount represents of the fees invoiced for audit work to the company and/or its group:

[√] Yes
[ ] No

	Company	Group companies	Total
Amount of non-audit work (thousands of euro)	71	0	71
Amount of non-audit work/Amount of audit work (%)	22.68	0.00	22.68

C.1.33 Indicate whether the audit report on the previous year's annual accounts is qualified. If applicable, indicate the reasons given to the shareholders at the General Shareholders' Meeting by the Chair of the Audit Committee to explain the content and scope of such qualifications.

[ ] Yes
[√] No

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the company's individual and/or consolidated annual accounts. Likewise, indicate for how many years the current firm has been auditing the annual accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Individual	Consolidated
Number of consecutive financial years	2	2

	Individual	Consolidated
No. of financial years audited by the current auditing firm/No. of financial years the company or its group has been audited (%)	5.41	5.41

C.1.35 Indicate and, where appropriate, provide details of whether there is a procedure to ensure that directors have the necessary information to prepare for meetings of the governing bodies in sufficient time:

[√] Yes
[ ] No

Describe the procedure

The Regulations of the Board establish that the documentation corresponding to the items on the meeting agendas shall be sent to the members of the Board and, where appropriate, the Committees or Working Groups, sufficiently in advance to be able to prepare for the meetings. Likewise, the Director may obtain, with the broadest powers, the information and advice they may require on any aspect of the Company, provided that this is necessary for the performance of their duties.

The right to information extends to subsidiaries, whether domestic or foreign, and is channelled through the Chairman or the Secretary, who will attend to the Director's requests, providing them with the information directly, or pointing them towards the appropriate contact points.

The Chairman may exceptionally and temporarily restrict access to certain information and shall inform the Board of Directors of this decision.

The information requested may only be refused if, in the opinion of the Chairman, it is unnecessary or detrimental to the interests of the company; such refusal shall not apply if the request is supported by a majority of the members of the Board.

C.1.36 Indicate whether the company has established rules obliging directors to inform and, where appropriate, to resign when situations arise that affect them, whether or not related to their actions in the company itself, which could damage the credit and reputation of the company:

[√] Yes
[ ] No

Explain the rules

The rule is established for those cases in which Directors are obliged to tender their resignation to the Board, and if the Board deems it appropriate, to formally resign, as indicated above, according to Article 18 of the Regulations of the Board letter c): "when they are convicted of a criminal offence or are subject to a disciplinary sanctions for serious or very serious misconduct as a result of proceedings conducted by the supervisory authorities", since both are cases that may damage the credit and reputation of the Company. Therefore, the company understands the rule to be established.

Nevertheless, prior to being convicted, the Regulations of the Board do not oblige the Director to inform the Board of Directors of the criminal cases in which they appear as a defendant or of any subsequent legal proceedings.

Regarding the obligation to report criminal cases opened by a director and the status of corporate defendant, for the Board to analyse the case and decide whether or not the director continues in their position, the Regulations of the Board do not expressly provide for this obligation of information prior to the existence of a conviction of any type of open criminal case, with the purpose of preserving the right to privacy and honour of the directors at a stage when it has not yet been proven and declared guilty, since the aforementioned communication could cause irreparable damage even if the case was finally dismissed.

C.1.37 Indicate, unless special circumstances have arisen which have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to their performance in the company itself, which could damage the credit and reputation of the company:

[ ] Yes
[√] No

C.1.38 List any significant agreements entered into by the company which enter into force, are amended or terminate in the event of a change of control of the company following a takeover bid, and their effects.

The Company has not entered into any agreements of the type indicated above in 2020

C.1.39 Identify individually, in the case of directors, and in aggregate in all other cases, and give details of any agreements between the company and its directors, management or employees that provide for indemnities, guarantee or golden parachute clauses when they resign or are dismissed without just cause or if the contractual relationship is terminated as a result of a takeover bid or other type of transaction.

Number of beneficiaries	1

Type of beneficiary	Description of the agreement
Executive Chairman	The Service Agreement entered into by the Company with the Executive Chairman provides for a "Termination of the Agreement and Indemnification" clause, whereby the Executive Chairman shall be entitled to receive indemnification from the Company in the event of termination and expiry of the Agreement for any of the following causes not attributable to the Executive Chairman, such as a serious and culpable breach by the Company, a substantial modification of their duties, powers or conditions of their provision of Services not due to a cause attributable to the Chief Executive Officer, unilateral termination by them or by the Company as a consequence of a change of control of the Company or assignment or transfer of all or a significant part of its business or of its assets and liabilities to a third party or integration into another business group, and unilateral termination of the Agreement by the Company in an improper manner, when not due to a breach of its obligations by the Executive Chairman. Compensation in any of the above circumstances shall consist of an amount equivalent to 12 months of the Fixed Monetary Remuneration they receive for performance of their executive duties. This represents the total amount to be paid by the Company, excluding any other amounts of compensation, with the Executive Chairman expressly waiving the right to reclaim any other amounts arising from termination of the Agreement — such as expectations of future income or benefits. None of the remaining Directors in office in 2020 or as of the date of this Report had or have agreed to any indemnification in the event of termination, early retirement or termination of their directorship.

Indicate whether, apart from the cases provided for in the regulations, these contracts must be reported to and/or approved by the bodies of the company or its group. If applicable, specify the procedures, the circumstances envisaged and the nature of the bodies responsible for approving or communicating those agreements:

	Board of Directors	General shareholders' meeting
Body that authorises the clauses	√	

	Yes	No
Is the General Shareholders' Meeting informed about the clauses?	√	

C.2. Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors that form part of them:

AUDIT COMMITTEE		
Name	Position	Category
MS ANA ISABEL MUÑOZ BERAZA	MEMBER	Independent
MR JUAN MARÍA ROMÁN GONCALVES	CHAIR	Independent
MR ENRIQUE MIGOYA PELÁEZ	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee; and describe its procedures and rules of organisation and operation. For each of these duties, indicate its most important actions during the financial year and how each of the duties attributed to it, either by law or in the articles of association or other corporate resolutions, have been carried out in practice.

The Audit Committee shall consist of a minimum of three members and a maximum of five. All the members shall be non-executive directors. The majority of the members of the Audit Committee should be independent directors and one of them shall be appointed due to their knowledge and experience in accounting, auditing or both.

The Board of Directors shall appoint a Chair of the Audit Committee from its members, who should be an independent director. The term of office of the Chair shall be four years, and they may be re-elected, if necessary, after one year has elapsed from the date of leaving office.

The Board shall also appoint a Secretary, who may be from the Board of Directors or one of the members of the Committee. The Audit Committee shall meet when convened to do so by its Chair, who shall call for a meeting whenever requested to do so by the Board of Directors or its Chairman. The Audit Committee shall be regarded as validly constituted when half plus one of its members are present or duly represented.

The Audit Committee shall have at least the following responsibilities:
a) With regard to the information and internal control systems:
(i) Supervise the preparation process and the integrity of the financial information relating to the Company and its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
(ii) Regularly review internal control and risk management systems so that key risks are properly identified, managed and reported. Discuss with the auditors significant weaknesses in the internal control system identified in the course of the audit.
(iii) Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of the internal audit service; propose the budget for the internal audit service; approve the guidance and work plans of the internal audit service, ensuring that its activity is

primarily focused on the company's relevant risks; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

b) With regard to the external auditor:
(i) Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of their hiring.
(ii) Receive regular information from the external auditor on the audit plan and the results of its implementation, and verify that senior management takes its recommendations into account.
(iii) Ensure the independence of the external auditor.
(iv) With regard to the Tubos Reunidos Group, the Audit Committee shall encourage the Group's auditor to assume responsibility for the audits of the companies comprising the Group.

c) As regards other functions, the Audit Committee is responsible for:
(i) Informing the General Shareholders' Meeting of the matters raised by shareholders, within their scope of responsibility. (ii) Overseeing the process of preparing and presenting mandatory financial information. (iii) Informing the Board in advance of all matters provided for by Law, the articles of association and the Regulations of the Board. (iv) Issuing reports and proposals requested by the Board of Directors or its Chairman, which are considered important for effectively carrying out their duties.
v) Monitoring compliance with the internal codes of conduct and the rules of corporate governance.

In any case, financial or general information on the Company or its Group that will have an external impact must always be verified beforehand by the Audit Committee.

During financial year 2020, the most relevant actions of the Audit Committee were related to: a) supervision of the quarterly and bi-annual financial information; b) the audit of the annual accounts for the financial year; c) control of operational risks; d) the internal control system for financial reporting (ICFR); e) the financial restructuring process carried out in 2019 and its accounting treatment; f) obtaining new ICO financing in May 2020 and its impact on the debt structure; and g) the search for additional financing and its future accounting.

The Audit Committee met on six occasions in 2020.

Identify the directors who have been appointed to the Audit Committee on the basis of their knowledge and experience in accounting and/or auditing and provide information on the date of appointment of the Chair of the Audit Committee.

Names of the directors with experience	MS ANA ISABEL MUÑOZ BERAZA/MR JUAN MARIA ROMAN GONCALVES/MR ENRIQUE MIGOYA PELAEZ
Date of appointment as Chair	22/06/2017

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MR JORGE GABIOLA MENDIETA	MEMBER	Independent
MS ANA ISABEL MUÑOZ BERAZA	CHAIR	Independent
MR JUAN MARÍA ROMÁN GONCALVES	MEMBER	Independent
MR CRISTÓBAL VALDÉS GUINEA	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external directors	0.00

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee; and describe its procedures and rules of organisation and operation. For each of these duties, indicate its most important actions during the financial year and how each of the duties attributed to it, either by law or in the articles of association or other corporate resolutions, have been carried out in practice.

Its functions are described in the Regulations of the Board. It is made up of a minimum of 3 members and a maximum of 5. Its members are exclusively non-executive directors, two of whom should be independent directors.

The Chair of the Committee shall be appointed from the independent directors that form part of the committee. The Board shall also appoint a Secretary, who may be from the Board of Directors or one of the members of the Committee. The Appointments and Remuneration Committee shall meet when convened to do so by its Chair, who shall call for a meeting whenever requested to do so by the Board of Directors or its Chairman.

The Appointments and Remuneration Committee shall be regarded as validly constituted when half plus one of its members are present or duly represented.

The Committee has the following functions:
a) With regard to Remuneration:
(i) Formulate the proposals for appointments, re-elections or removals of independent directors.
(ii) Report the proposals for appointments, re-elections or removals of the other directors and directorial posts.
(iii) Verify the character of each Director and establish if they meet the requirements for appointment as executive director, independent external director, external proprietary director or another type of external director when required.
(iv) Evaluate the skills, knowledge and experience required on the Board and define the necessary functions and skills of the candidates to cover each vacant post, and assess the precise time and effort required for them to effectively fulfil their duties.
(v) Examine and organise, in an appropriate manner, the succession of Board and executive line positions, so that such succession takes place in an orderly and well-planned manner.
(iv) Report annually on the Board's and executive line positions' performance of their duties.
(vi) Report the appointments and exits of the Secretary of the Board and of the Senior Management proposed to the Board.
(viii) Establish a representation target for the under-represented gender on the Council and develop guidance on how to achieve this target.

b) With regard to Remuneration:
(i) Propose to the Board the remuneration policy for directors and general managers or those who perform senior management functions reporting directly to the Board, executive committees or managing directors.
(ii) Propose to the Board the individual remuneration of executive directors and the other terms of their contracts.
(iii) Propose to the Board the basic terms and conditions of the contracts of Senior Management. (iv) Monitor compliance with the remuneration policy set by the Company.

To effectively comply with its functions, the Appointments and Remuneration Committee may solicit advice from external professionals, for which purpose the provisions of Article 24 of the Regulations of the Board shall apply. In 2020, the Appointments and Remuneration Committee introduced a number of important measures, amongst which the following should be mentioned:

a) the setting of the end of the remuneration cycle for the 2019 financial year and the proposal for 2020; b) the management team’s objectives for 2020; c) the selection of the new Finance and Management Control Director; d) the selection and proposal to the Board of the new Executive Chairman; e) the proposal to the Board of the new Coordinating Director; f) the reclassification of the category of "other external” directors as “independent”; and g) the analysis and modification of the composition of the Supervisory Committees.

The Appointments and Remuneration Committee met four times in 2020.

DELEGATE COMMITTEE		
Name	Position	Category
MR EMILIO YBARRA AZNAR	MEMBER	Proprietary
MR CRISTÓBAL VALDÉS GUINEA	MEMBER	Proprietary
MR ENRIQUE MIGOYA PELÁEZ	MEMBER	Proprietary
MR FRANCISCO IRAZUSTA RODRIGUEZ	CHAIR	Executive
MR JORGE GABIOLA MENDIETA	MEMBER	Independent

% of executive directors	20.00
% of proprietary directors	60.00
% of independent directors	20.00
% of other external directors	0.00

Explain the functions delegated or attributed to this committee other than those already described in section C.1.9, and describe the procedures and rules of organisation and operation of the committee. For each of these duties, indicate its most important actions during the financial year and how each of the duties attributed to it, either by law or in the articles of association or other corporate resolutions, have been carried out in practice.

The Delegate Committee has general decision-making powers and, therefore, has express delegation of all the power that can be legally or statutorily delegated, unless a decision to act otherwise is made when it is established, which has not taken place.

In the Delegate Committee, also called the Executive Committee, the participatory structure of the categories of directors is similar to that of the Board itself, and the Chair and Secretary are the same as those of the Board of Directors. The same rules of procedure apply to the Delegate Committee as to the Board of Directors.

The Delegate Committee did not meet in 2020.

C.2.2 Complete the following table with information about the number of female directors on the committees of the Board of Directors in the last four financial years:

	Number of female directors							
	2020 Financial Year		2019 Financial Year		2018 Financial Year		2017 Financial Year	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	0	0.00	1	33.33
APPOINTMENTS AND REMUNERATION COMMITTEE	1	25.00	1	25.00	1	33.33	1	33.33
DELEGATE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of regulations governing the Board committees, where they are available for consultation, and any amendments made during the financial year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

The Board Committees are regulated in the Regulations of the Board of Directors, which are available on the Company website, (www.tubosreunidos.com) in the “Shareholders and Investors” section. The Regulations can also be consulted on the website of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores — CNMV).

A number of changes were made to the regulations of the Committees of the Board of Directors in 2016, introducing a new consolidated text, which was duly reported to the CNMV, but no changes were made in 2020.

No voluntary annual report on the activities of each committee has been prepared.

D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1. Explain, where applicable, the procedure and competent bodies for approving related-party and intra-group transactions.

There is no formal and written procedure for approving related-party and intra-group transactions. Nevertheless, the company complies with the provisions of Article 529 of the Spanish Companies Act, since the Audit Committee, among other responsibilities, informs the Board of related-party transactions, as set out in the provisions of Article 21 of the Regulations of the Board of Directors, which expressly attributes this function to it. Additionally, if the transaction affects persons subject to the Internal Code of Conduct, the procedure applicable to conflicts of interest arising from these related operations will be applied as indicated in section D.6 and the Secretary of the Board shall raise the matter to the Board of Directors to adopt the appropriate decision in this regard, without prejudice to the role attributed to the Audit Committee.

The Company informs that the Audit Committee, at one of its annual meetings, which generally coincides with the supervision of the annual accounts for the year, issues a report on transactions with related parties during the year, which is included in the minutes of the corresponding meeting.

D.2. List any significant transactions, by virtue of their amount or importance, between the company or its group companies and the company's significant shareholders:

Name or company name of the significant shareholder	Name or company name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euro)
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	BANCO BILBAO VIZCAYA ARGENTARIA	Commercial	Financing agreements: loans	77,721
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	BANCO BILBAO VIZCAYA ARGENTARIA	Commercial	Financing agreements: other	1975
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	BANCO BILBAO VIZCAYA ARGENTARIA	Commercial	Interest paid	672

D.3. List any significant transactions, by virtue of their amount or relevance, between the company or its group of companies and the company's directors or executives:

Name or company name of directors or executives	Name or company name of the company or its group company	Relationship	Nature of the transaction	Amount (thousands of euro)
No data				N/A

D.4. Report on significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drawing up the consolidated financial statements and do not form part of the company's normal business in terms of their purpose and conditions.

In any case, give information about any intra-group transaction conducted with entities established in countries that are regarded as tax havens:

Company name of the group company	Brief description of the transaction	Amount (thousands of euro)
No data		N/A

NOTHING TO REPORT

D.5. List any significant transactions, by virtue of their amount or relevance, between the company or its group and other related parties, not reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euro)
MARUBENI ITOCHU TUBULARS EUROPE, PLC	INTEREST ON LOAN GRANTED	12

D.6. Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, directors, managers and significant shareholders.

In accordance with the provisions of the Internal Rules of Conduct, all related persons subject to the these rules must inform the Secretary of the Board of Directors of any situation of possible conflict of interest, at least 15 days in advance and, in any case, before making a decision that could be affected by the possible conflict of interest. If the Secretary of the Board understands that there is a conflict of interest and/or a related-party transaction, they shall present the issue to the Board of Directors so that they can make the relevant decision in this regard.

In addition, the Audit Committee, among other duties, reports to the Board on related-party transactions, in compliance with the provisions of Article 21 of the Board Regulations, which expressly assigns this function to it. Only to the extent that such related transactions entail a conflict of interest, the provisions of the preceding paragraph shall apply with respect to the intervention of the Secretary of the Board.

D.7. Indicate whether the Company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through its subsidiaries, business relations with that entity or one of its subsidiaries (other than those of the listed company) or engages in activities related to those of any of them.

[ ] Yes
[√] No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Company's Risk Control and Management System, including those of a fiscal nature:

The Tubos Reunidos Group's Risk Management System is promoted by the Board of Directors through the Audit Committee and controlled by Management and the rest of the organisation, covering all Group companies included in the scope of consolidation, in accordance with their relative importance and the specific characteristics, from the risk point of view, of each of them.
Risks are managed at the corporate level, with their potential impact being assessed for the Group as a whole. Risks are assessed based on the probability of their occurrence, impact scenarios and the speed of their effect and/or of the possible reaction should they arise.
Risk Management is performed comprehensively and continuously, using, where necessary, specific work teams. Risk analysis is structured according to the COSO Model (established by the Committee of Sponsoring Organizations of the Treadway Commission), on strategic risks, financial risks, compliance risks (including criminal risks), operational risks (including information risks with respect to the official information generated by the Group and cyber risks) and governance risks (with reference to the group's culture and organisation). Tax risks are incorporated into financial risks, without prejudice to their specific analysis in the Regulatory Compliance Area.
The specific analysis of a particular risk that may arise in each of the above categories is coordinated in a cross-cutting manner.

E.2. Identify the Company bodies responsible for preparing and implementing the Risk Control and Management System, including for tax risks:

The Board of Directors determines the risk control and management policy, including tax risks, and oversees internal information and control systems. In this regard, it establishes and reviews the business, commercial, industrial and financial strategies, the corporate planning and investment projects so as to obtain maximum profits while assuming reasonable risk.
To this end, the Audit Committee, as a Delegate Committee of the Board of Directors, supervises, among other matters, the effectiveness of internal control and risk management, including tax risks, periodically reviewing that the internal control and risk management systems adequately identify, manage and disclose the main risks, with the support of an Internal Audit Area.
The Group's Management Team, together with the support of the various operating units and, if applicable, external support, is responsible for identifying the risks to which the Group is exposed in its daily transactions and establishing the necessary control measures to mitigate these risks (including tax risks).

E.3. Indicate the main risks, including task risks and, as far as they are significant, the risks of corruption (understood within the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives:

In accordance with the Group's Risk Management System, in the 2020 financial year, risks are structured as follows:
• Strategic risks, in particular those linked to macroeconomic and industry developments.
• Financial risks, which, in addition to including liquidity risks in particular, also include both exchange rate risks—due to operating in international markets—and tax risks.
• Compliance risks, including environmental risks given our production activity.
• Operational risks, where we specifically include:
either those related to the Health and Safety of the people who form part of the Group, to obtaining quality in the products we manufacture and sell, and to attracting and retaining the talent of our staff;
or Information Risks, which this year have had special relevance in terms of Financial Information, for which we have consulted with specialists and with the Supervisors (CNMV) on the appropriate information treatment of certain transactions.
• Governance risks, related in particular to the Group’s culture and organisation.
Of particular significance for the Group in 2020 was the management of the pandemic, which affected all previous risk categories across the board and was managed jointly for the Group.

E.4. Identify if the entity has risk tolerance levels, including tax risk:

The Board of Directors maintains a very conservative position with regard to the Group's exposure to risk, be it operational, financial, fiscal, technological or reputational, and it is therefore a priority objective in this regard to assess and mitigate risks to the maximum extent possible, always according to their relevance.
This results in the identification of quantitative risk management scenarios by the Management Team.

E.5. Indicate which risks, including tax risks, have materialised during the year:

The Group's core business is influenced by the macroeconomic environment, economic cycles and the risks inherent to our business and the markets in which we operate, which, if they materialise, could even affect the achievement of our strategic objectives. Since mid-2014 we have been in the lower end of the cycle, which started for us with the fall in the oil price. In 2017, activity began to recover, but with a reduction in margins that led to the implementation of a series of concrete management measures aimed at ensuring sustainable earnings and optimising the capital invested. These measures started to pay off in 2018, driving margins higher while business continued to recover. Since the introduction by the US administration of the 25% import tariff on steel products in the US in June 2018, the Group's main market at the time, these margins have been reduced again.
In 2019, market uncertainty remained, motivated by drilling activity data and by the significant fall in oil prices from the beginning of the second half of the year.
From a risk management point of view, the management of the above situations included the definition of a 2019–2022 Strategic Plan and the securing of concrete funding for this Plan, which was achieved in December 2019. However, the global COVID-19 pandemic has, among other things, brought a widespread halt to the global economy and the recovery of the economic cycle. Faced with the materialisation of a global pandemic risk that no one had foreseen, the Board of Directors itself has adopted a series of relevant measures in financial year 2020, including the reinforcement of the Board of Directors itself with the appointment of a new Chairman and Directors with experience in similar situations, the adaptation of the Strategic Plan to the economic situation and to a new time horizon (including changes in the marketing objectives of the Group's products), and the application for financing from the Solvency Support Fund for Strategic Companies (Fondo de Apoyo a la Solvencia de Empresas Estratégicas) managed by the Spanish state-owned industrial holding company (Sociedad Estatal de Participaciones Industriales — SEPI).
The management of the pandemic has required the management of new situations in every sense, encompassing almost every aspect of our strategy and activity. The Group has managed these situations in a cross-cutting manner, prioritising the health of the people who make up the Group and those who are directly linked to us, and applying the strictest and most up-to-date prevention standards.

E.6. Explain the response and supervision plans for the entity's main risks, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors responds to new challenges that arise:

With regard to strategic risks, the Strategic Plan adapted to the current situation has been subjected to analyses by third parties contracted by the Company, analysts belonging to private financial institutions and SEPI. The detailed breakdown of this plan is part of the Group's management tools, which include models for remuneration and motivation of the human team.
The Board of Directors, and in particular the Audit Committee, is regularly informed of developments in financial risks, in particular liquidity risks, and is involved in the design of countermeasures.
Changes in macroeconomic indicators which affect the Group in the long term are regularly monitored. Specifically, in 2020, an external review of the risk map and risk management model was carried out by a third party, led by the Audit Committee.
In addition, the changes in the management team that took place in 2020 were supervised by the Board of Directors in order to strengthen the management of the risks described above.
In relation to other risks, responsibilities for their management are deployed throughout the organisation according to the responsibility of the teams and are regularly reported to the governing bodies.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that make up the control and risk management systems in relation to your entity's financial reporting process (ICFR).

F.1. Control environment of the entity.

Specify at least the following components with a description of their main characteristics:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of Tubos Reunidos is the body responsible, among other aspects related to the development of an adequate corporate governance system, for the existence and maintenance of the Internal Control over Financial Reporting System (hereinafter, ICFR).

The Audit Committee, as set out in the Regulations of the Board of Directors, is the body responsible for supervising the effectiveness of the Group's ICFR, Internal Audit and the risk management process, as well as for discussing with the auditors or audit firms any significant weaknesses in the internal control system detected in the course of the audit process.
The Group's Senior Management, through the Financial Department, is responsible for the design, implementation and proper functioning, as well as for keeping the system up to date to ensure its effectiveness and efficiency, and for communicating and training the people involved, maintaining a periodic report. The Financial Department is responsible for setting the guidelines and procedures related to the generation of financial information and ensuring its correct implementation in the Group.
All members of the Group carry out the controls and activities included in the ICFR in line with their responsibilities in the financial reporting process.
The Audit Committee carries out its systematic and regular oversight work through the Group's Internal Audit, executing a systematic annual plan and reporting directly to the Committee on the outcome of its findings.

F.1.2 Whether the following elements exist, especially with regard to the financial reporting process:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for its correct dissemination in the entity:

The Board of Directors is responsible for the design and review of the organisational structure and the lines of responsibility and authority within the Group.
The Management Team, together with the support of the human resources departments, is in charge of defining the roles and responsibilities for each of the areas.
In relation to the scope of the ICFR, the main responsibility for preparing financial reporting lies with the Financial Department. The structure, dimension and task definition of each position in the area is defined by the Financial Department.
In order to carry out its activities, the Financial Department is divided into the following departments: Accounting, Treasury,
Customer Administration, Management Control, Consolidation and Tax. In relation to the process of preparing the financial information, the different departments and the Financial Department itself send the necessary instructions to the different areas of the Group, compiling and reviewing the information received. The Financial Department also coordinates the involvement of independent experts and other third parties outside the Group in relation to financial reporting.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of the recording of transactions and preparation of financial information), body responsible for analysing breaches and proposing corrective actions and sanctions:

The Group has a Code of Ethical Conduct, approved by the Board of Directors, which relates to the members of the Board of Directors, the directors and employees of the Group and all its companies, branches and agents, wherever their geographical location. This Code of Conduct includes the Group's ethical values, among which is compliance with the law, including the duties of disclosure and preparation of financial information.

The Group also has a formal document entitled "Guidelines for Action in relation to Financial Reporting", the purpose of which is to "establish the values and principles that must govern the professional and personal actions of the directors, executives and other employees of the Tubos Reunidos Group with responsibilities in the process of preparing, reviewing and reporting financial information, in order to ensure its transparency and reliability and compliance with applicable regulations". In particular, it is compulsory for the persons with specific responsibilities assigned to the process of preparing, reviewing and disseminating the Tubos Reunidos Group's financial information to certify, in accordance with the established frequency, with total honesty, the degree of compliance with the different controls for whose execution and/or supervision they are responsible. Likewise, collaboration shall take place at all times to facilitate the work of those responsible for reviewing and supervising the Tubos Reunidos Group's Risk Management and Internal Control over Financial Reporting System, responding to requests for information and documentation in the shortest possible time and providing truthful and complete explanations and/or documentation at all times. This document expressly includes the Audit Committee's responsibility to supervise the preparation process and the integrity of the financial information, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

The Group also has a Model for the Prevention of Criminal Liability of Legal Entities, approved by the Board of Directors, the purpose of which is to establish measures to prevent the commission, within the Tubos Reunidos Group, of acts that could constitute crimes, including those related to Financial Reporting.
The Independent Control Body, which reports to the Audit Committee and/or the Board of Directors itself, is in charge of: (i) the analysis, where appropriate, of complaints received and processed through the whistleblower channel; (ii) the analysis, where appropriate, of sanctioning procedures; (iii) training and awareness-raising of staff on crime prevention. It consists of:
• The Secretary of the Board
• The Chair of the Audit Committee
• The Financial Department
• The Internal Audit Department (with voice but no vote)

In September 2020, the Group initiated a Compliance Project for the review and diagnosis of the Prevention Model and certification of its suitability, which entails the review and updating of the internal rules that make up the Model by an independent external advisor, with the aim of adapting them to the new regulations and needs of the Group, and completing them if necessary. The project is expected to be completed in the first quarter of 2021. As a result of this review:
• A Criminal Risk Prevention and Compliance Policy is being developed to demonstrate the highest level of commitment of the Group, the Board and Senior Management in this area, thus demonstrating the "Leadership and Commitment" required by the UNE 19601 Standard.
• The Criminal Risk Prevention and Compliance Manual is being modified, providing it with an updated structure and content in line with the UNE 19601 Standard.
• The compliance risk assessment and prioritisation methodology is being updated to include probability, impact and take into account the current level of management; and
• A matrix with risks and controls is being finalised to mitigate criminal risks, associating performance indicators with them and encompassing them in an Annual Plan for testing.

· Whistleblower channel, allowing the audit committee to be informed of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities in the organisation, informing, where appropriate, if this is of a confidential nature:

The Group has a communication and whistleblower channel: canaldedenuncias@tubosreunidos.com, that makes it possible to report behaviour, actions or acts of executives or employees that may entail violations of both the company's internal rules—in particular the Code of Ethical Conduct—and the regulations that govern their activity.

Any complaints received through this channel will be analysed and managed by the Independent Control Body in line with the provisions of the Regulation. Access to the whistleblower channel is included in the code of conduct itself and is directly available on Tubos Reunidos Group's corporate website (http://www.tubosreunidos.com/es/nuestros-valores.php). Irregularities of a financial and accounting nature can be received through this channel.

The Independent Control Body will guarantee: (i) the confidentiality of the data and background information handled and of the actions carried out, unless the law or court order requires the submission of information; (ii) the exhaustive analysis of any data or information on the basis of which it is required to act; (iii) the investigation of a procedure appropriate to the circumstances of the case, in which it will always act independently and; (iv) the indemnity of any complainant in relation to the submission of complaints in good faith to the aforementioned control body.

· Regular training and refresher programmes for staff involved in the preparation and review of financial information, as well as in the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management:

In addition to specific training programmes aimed at covering certain needs that may arise in the personnel of the Finance Area, the Group involves external advisors and auditors in updates on accounting, legal and tax matters that may affect the Group.

F.2. **Financial reporting risk assessment.**

Indicate at least the following:

F.2.1 What are the main features of the risk identification process, including those of error or fraud, in terms of:

- Whether the process exists and is documented:

The Group considers Financial Reporting Risks as a type of Risk and therefore section E of this Annual Corporate Governance Report is generally applicable. Specifically for this risk category, the Group has a duly documented ICFR risk matrix and an operational risk matrix.

- Whether the process covers the full range of financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and how often:

The ICFR risk matrix enables the identification of material financial statement headings, financial reporting assertions or objectives where risks may exist as well as the prioritisation of operational processes with an impact on financial reporting. This matrix is reviewed periodically, in accordance with the Group's established review plans.

- The existence of a process for identifying the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental entities or special purpose vehicles:

The Group's corporate structure is relatively simple. However, on a quarterly basis, the head of Group Consolidation, who reports to the Financial Department, reports on the composition of the scope. Attention is paid to the risks arising from any transaction that, due to its complexity, may require special treatment. Specific controls are in place to ensure that Group companies cannot participate in companies and change the scope of consolidation.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) to the extent that they affect the financial statements:

The Group also has operational risk matrices that cover the Customers/Sales, Inventories/Warehouses, Purchases/Suppliers, Treasury and Legal areas, which are periodically reviewed. In addition, the risk management model analyses these transversally, including from the point of view of financial reporting.

- Which of the Company's governing bodies oversees the process:

The Audit Committee has the responsibility of overseeing the financial reporting process

F.3. Control activities.

Report, stating its main characteristics, whether it has at least:

F.3.1 Procedures for reviewing and authorising financial reporting and the description of the ICFR, to be disclosed to the securities markets, indicating who is responsible in each case, as well as descriptive documentation of the flows of activities and controls (including those related to fraud risk) of the different types of transactions that may materially impact the financial statements, including the period-end accounting procedures and the specific review of the relevant judgements, estimates, valuations and projections.

The Regulations of the Board state that financial and general information about Tubos Reunidos that is likely to have an external impact, must always be checked in advance by the Audit Committee.
Tubos Reunidos reports quarterly to the securities market. The information it reports is prepared by the Finance Area, carrying out specific control activities during the period-end accounting process aimed at guaranteeing its reliability.
The Board of Directors reviews the main transactions that may materially impact the financial statements through various actions, such as monitoring the Business Plan and the budget, as well as the most important accounting estimates and judgements made in the preparation of financial information, once the Audit Committee establishes that the information is suitable.
The financial statements are prepared based on a reporting calendar and delivery dates, which all participants in the process are aware of, always taking into account the legal delivery deadlines.
In addition to the period-end accounting procedure itself, and prior to the process of preparing and reviewing the financial information, the Group has control procedures and activities in the most relevant areas in the process of preparing the financial information, in order to ensure the proper recording, valuation, presentation and disclosure of transactions, as well as to prevent and detect fraud and, in short, to cover all those transactions that may materially affect the financial statements.
The Finance Area monitors the operation of the ICFR by periodically informing the Audit Committee of the results obtained. The Audit Committee, through its Chair, passes on this information to the Board of Directors, which is ultimately responsible for approving the information for its subsequent reporting to the market.
The identification of risks and controls associated with the Group's main processes is carried out through a specific computer application. This application allows the documentation related to the Group's ICFR processes to be kept in a single environment, seeking, as far as possible, homogeneity in the processes. All the members of the Group that take part in the ICFR have access to this application to be able to see the various processes. The ICFR monitoring model is implemented on the basis of this application, which assigns each control activity to each person in charge and, periodically, the Finance Area monitors and assesses the operation of these controls.
In addition, each of the processes has a person in charge who supports the periodic monitoring of controls and is responsible for defining and updating the ICFR process for which they are responsible.
Relevant judgements, estimates and projections are specifically reported to the Audit Committee and the Board of Directors in the review of the Financial Information by the Finance Area, considering the effect of alternative scenarios, where appropriate. The Audit Committee is informed in parallel by the Auditors of the progress of their work and of relevant issues related to these judgements and estimates.

F.3.2 Internal control policies and procedures for information systems (including, but not limited to, access security, change control, system operation, business continuity and segregation of duties) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The companies that make up Tubos Reunidos Group use certain information systems to maintain an adequate record and control of their operations.
As part of the risk management process regarding financial information, the Group identifies, in its main components, which systems and applications are relevant in each of the main areas or processes.
The Group is refining its system security procedures defined at the level of the most significant components and aimed at achieving an adequate level of security. The aim is to adopt the relevant organisational, technical and documentary measures necessary to ensure the target level of security. In this regard, work is taking place in the following areas: (i) Access control and user management (ii) Change management (iii) Backup and recovery (iv) Physical security and (v) Control of outsourced activities.

F.3.3 Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as those assessment, calculation or valuation aspects entrusted to independent experts, which may materially affect the financial statements.

The areas with the highest level of activities outsourced to third parties with the possibility of a material impact on financial information are the Information Systems and Tax areas. The contracting of these services is carried out by the Heads of Systems and the Financial Department, respectively, ensuring the competence, technical and legal training and independence of the professionals hired.
In relation to other actions in relevant transactions requested from independent experts, Tubos Reunidos always maintains responsibility for the information.

F.4. Information and communication.

Report, stating its main characteristics, whether it has at least:

F.4.1 A specific function in charge of defining and keeping accounting policies up to date (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining fluid communication with those responsible for operations in the organisation, as well as an updated accounting policy manual communicated to the units through which the entity operates.

The responsibility for defining and keeping the Group's accounting policies up to date is attributed to the Financial Department, which, for this purpose, carries out the following activities, among others:
• Annual meeting, prior to end of the accounting period, with the external auditors to update on new accounting developments and new breakdowns of information in the annual accounts. In addition, as many meetings as necessary are held with the external auditors to consult them about specific issues and to update the most important points of the audit.
• Permanent contact with the heads of finance and administration of the subsidiaries to communicate the main changes in accounting matters.
• Resolution of any accounting query that may arise from the various Group companies.

F.4.2 Mechanisms for the capture and preparation of financial information with homogeneous formats, applicable and used by all units of the entity or group, which support the main financial statements and the notes, as well as the detailed information on the ICFR.

The Group's reporting and consolidation process depends on the Financial Department and, in particular, of the Head of Consolidation. In this way, at the beginning of each year, the Head of Consolidation sends a monthly reporting calendar to the financial and administrative managers of the various Group companies, in order to ensure that the information is received in sufficient time to enable the preparation of the consolidated financial statements in due time and form.
In order to strengthen control over financial reporting and ensure complete homogeneity in the accounting treatment of the various transactions throughout the Group, an Accounting Policy Manual is available, which includes the main accounting policies and criteria adopted by the Group, aimed, among other things, at standardising accounting practices in the Group.
Subsidiary information is reported by the subsidiaries using a standardised "Consolidation Reporting Package", which is prepared and sent in advance of the closing date by the Head of Consolidation and allows the information of the subsidiaries to be captured in a homogeneous way.
The Group has a consolidation application, which allows for the aggregation of the financial statements of the various Group companies and for consolidation entries to be made. For the purposes of individual companies, the Group is in the process of standardising the ERP accounting systems of its main components.

F.5. Monitoring of system performance.

Specify at least the following components with a description of their main characteristics:

F.5.1 The ICFR monitoring activities performed by the audit committee and whether the entity has an internal audit function whose responsibilities include supporting the committee in its oversight of the internal control system, including ICFR. Information shall also be provided on the scope of the ICFR assessment carried out during the year and the procedure by which the person responsible for carrying out the assessment reports its results, whether the entity has an action plan detailing any corrective measures, and whether its impact on financial reporting has been considered.

The Audit Committee's supervision of the ICFR during the year was as follows:
• Review of the ICFR reports prepared by the person responsible for the Finance Area, and reporting, where appropriate, to the Board of Directors.
• Periodic meetings, prior to the publication of the interim financial information and the notes to the consolidated annual accounts, with the Financial Department to review the state of implementation and/or supervision of the various controls and to analyse, where appropriate, any possible incidents.
The Statutory Auditors have attended various meetings of the Audit Committee at which, among other matters, the Committee: (i) followed up with the statutory auditors on weaknesses in the internal control system observed, if any, in the course of their work; and (ii) discussed the statutory auditors' annual audit plan, which includes audit objectives based on the risk assessment of financial reporting, as well as the main areas of interest or significant transactions to be reviewed during the year.
The Group has an Internal Audit function that is functionally dependent on the Audit Committee. This function incorporates responsibilities for reviewing the ICFR, in accordance with the Annual Internal Audit Plan, which is approved by the Committee and subsequently evaluated. The results of any ICFR-related incidents, together with any proposed corrective actions, are reported to the Audit Committee. The implementation of these measures is subject to subsequent monitoring by the internal audit function and reporting to the Committee.

F.5.2 Whether it has a discussion procedure whereby the auditor (in accordance with the provisions of the Technical Auditing Standards), the internal audit function and other experts can inform senior management and the Audit Committee or directors of the entity of any significant internal control weaknesses identified during the review of the annual accounts or any other processes entrusted to them. Similarly, it shall inform if it has an action plan that tries to correct or mitigate the weaknesses observed.

The Auditor attends the meetings of the Audit Committee to report on aspects related to the performance of their work and the Board of Directors and the Audit Committee maintain a fluid professional relationship with the External Auditor, respecting their independence of action and judgement.
The Internal Audit activity is reported directly to the Audit Committee and includes plans to mitigate any weaknesses in internal control and a follow-up of action plans.
In turn, the Auditor holds regular meetings with the Financial Department and (as of this year) with the Internal Audit Department, both to obtain information and to communicate potential weaknesses in control, where applicable, identified while undertaking their work.

F.6. Other relevant information.

There is no additional relevant aspect to highlight.

F.7. **Report of the external auditor.**

Report:

F.7.1 Whether the ICFR information disclosed to the markets has been reviewed by the external auditor, in which case the entity should include the relevant report as an annex. Otherwise, it should report its reasons.

The ICFR information has not been reviewed by the external auditor for the purpose of issuing a specific report on it, although it forms part of the review of the Group's risk control in the audit of the financial statements, for which the controls matrix is provided, indicating the status of implementation of the controls designed.

G. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

In the event that any recommendation is not followed or partially followed, a detailed explanation of the reasons for this decision should be included so that shareholders, investors and the market in general have enough information to assess the company's behaviour. Explanations of a general nature shall not be acceptable.

1. The articles of association of listed companies should not limit the maximum number of votes that may be cast by a single shareholder, nor should they contain other restrictions that make it difficult to take control of the company through the acquisition of its shares on the market.

   Complies [X]   Explain [ ]

2. When the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose precisely the following:

   a) The respective areas of activity and any business relationships between the listed company or its subsidiaries, on the one hand, and the parent company or its subsidiaries, on the other.

   b) The mechanisms in place to solve any conflicts of interest that may arise.

   Complies []   Partially complies [ ]   Explain [ ]   Not applicable [X]

3. During the ordinary General Shareholders' Meeting, as a complement to the written dissemination of the Annual Corporate Governance Report, the Chairman of the Board of Directors should verbally inform shareholders, in sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:

   a) Of the changes that have taken place since the previous ordinary General Shareholders' Meeting.

   b) Of the specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if they exist, the alternative rules it applies in this area.

   Complies []   Partially complies [X]   Explain [ ]

During the General Shareholders' Meeting, the Chairman verbally informs the shareholders of the most significant changes, if any, in corporate governance since the previous General Meeting.

Nevertheless, the Chairman does not explain the specific reasons why some of the recommendations of the Corporate Governance Code are not complied with because, in general, the cases of total or partial non-compliance are exceptional and not of particular importance.

4. The company should define and promote a policy regarding communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, which fully respects the rules against market abuse and treats shareholders in the same position on an equal footing. The company should make this policy public on its website, including information on how it has been put into practice and identifying the parties or persons responsible for implementing it.

   And, without prejudice to the legal obligations to disclose inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders.

   Complies [] Partially complies [ ] Explain [X]

The Company does not have a written policy of communication and contacts with shareholders, institutional investors and proxy advisors in the strict sense published on its website; however, although such policy is not defined and in writing, the Company does have tools available on its website that provide evidence of the existence of an unwritten policy, respectful of the rules against market abuse and which treats all shareholders in the same way, such as the "investor relations" access and the shareholders' office, as well as information on remote voting, the notice of the General Shareholders' Meeting, the proxy voting form, the electronic shareholders' forum, etc.

Through these tools, the company maintains transparent information, facilitates the exercise of the right to attend and participate in the General Shareholders' Meeting under equal conditions for shareholders not represented on the Board of Directors, and establishes direct channels of contact with all its shareholders, so that they can cast their vote in an informed manner.

The Company does not have a general written policy on the communication of economic-financial, non-financial and corporate information, although it endeavours to maximise the dissemination and quality of the information on the Company made available to the market, investors and other stakeholders.

5. The Board of Directors should not submit to the General Shareholders' Meeting a proposal to delegate powers to issue shares or convertible securities, excluding pre-emptive subscription rights, for an amount exceeding 20% of the capital at the time of delegation.

   And when the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive subscription rights, the company should immediately publish on its website the reports on such exclusion referred to in commercial legislation.

   Complies [X] Partially complies [ ] Explain [ ]

6. The listed companies that prepare the reports listed below, whether mandatory or voluntary, publish them on their website sufficiently in advance of the ordinary General Shareholders' Meeting, even if their dissemination is not mandatory:

   a) Report on the independence of the auditor.

   b) Reports on the performance of the Audit Committee and the Appointments and Remuneration Committee.

   c) Audit Committee report on related-party transactions.

   Complies [] Partially complies [X] Explain [ ]

The Company publishes the Report on the independence of the auditor and the Report on the activities of the Audit Committee on its website sufficiently in advance of the ordinary General Shareholders' Meeting.

However, the Company does not publish a specific report on the functioning of the Audit and Appointments and Remuneration Committees, because their rules of operation are detailed in the Board of Directors' Regulations, which are published on the Company's website, on the website of the CNMV, as well as in this Report.

Likewise, the Audit Committee's report on related-party transactions is not published, as these are reported in the notes to the annual accounts for the year and in section D of this report.

7. The company should broadcast the General Shareholders' Meetings live on its website.

   And the company should have mechanisms that enable proxy voting and voting by electronic means and even, in the case of large cap companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting.

   Complies [X]   Partially complies [ ]   Explain [ ]

The Company broadcast the General Shareholders' Meeting of 29 October 2020 live on its website, has had mechanisms in place that have enabled proxy-granting, attendance and voting by electronic means, and has even made it possible to vote and speak in real time during the meeting.

8. The Audit Committee should ensure that the annual accounts submitted by the Board of Directors to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. In cases where the auditor has included a qualification in their audit report, the Chair of the Audit Committee should clearly explain the opinion of the Audit Committee on its content and scope at the General Shareholders' Meeting. A summary of this opinion should be made available to shareholders at the time of publication of the call to meeting, together with the other proposals and reports from the board.

   Complies [X]   Partially complies [ ]   Explain [ ]

9. The company should publish on its website, on a permanent basis, the requirements and procedures it will accept for accrediting ownership of shares, the right to attend the General Shareholders' Meeting and the exercise or delegation of voting rights.

   And such requirements and procedures should be conducive to the assistance and exercise of shareholders' rights and applied in a non-discriminatory manner.

   Complies [X]   Partially complies [ ]   Explain [ ]

10. When any shareholder entitled to do so has exercised, prior to the holding of the General Shareholders' Meeting, the right to complete the agenda or to submit new proposals for resolutions, the company should:

a) Immediately disseminate such supplementary items and new proposals for resolutions.

b) Disclose the model attendance card or proxy or absentee voting form with the necessary amendments to enable new items on the agenda and alternative proposals for resolutions to be voted on in the same terms as those proposed by the Board of Directors.

c) Put all such items or alternative proposals to a vote and apply the same voting rules to them as to those proposed by the Board of Directors, including, in particular, presumptions or deductions as to the direction of the vote.

d) After the General Shareholders' Meeting, communicate the breakdown of the votes on such supplementary items or alternative proposals.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

The Company complies in practice with recommendation 10 because, although this particular aspect relating to the voting rules of new items on the agenda or new proposals is not specifically covered in the Regulations of the General Meeting or in the Company Articles of Association, in reality, neither in 2020 nor in previous financial years, has there ever been any request in this regard and so no legitimate shareholder has ever exercised, prior to the holding of the General Shareholders' Meeting, the right to supplement the agenda or submit new proposals other than those formulated by the Board itself.

The Company understands that, if this has not been the case, the Company complies with the recommendation. In any case, if the situation arises, the Company would also comply with the recommendation, given that it has traditionally facilitated the exercise of the rights to participate in the General Shareholders' Meeting under equal conditions and maintains a flexible interpretation of the requirements necessary for active participation.

In accordance with the Spanish Companies Act, the Company safeguards the irrevocable right of the minority to request the inclusion of supplementary items and, each financial year, reminds its shareholders, in the Agenda of the General Shareholders' Meeting that accompanies the call to meeting, of their right to request an addendum to the call and to propose new resolutions, which can be done by shareholders representing at least three percent of the share capital, "by means of a reliable notification to be received at the registered office at Barrio Sagarribai, s/n, 01470 Amurrio (Álava), Spain, within the five days following the publication of the call". The Company ensures, by these means, the effectiveness of the minority's right to the addendum to the call.

11. In the event that the company plans to pay attendance premiums to the General Shareholders' Meeting, it should establish, in advance, a general policy on such premiums and that said policy is stable.

Complies [] Partially complies [ ] Explain [ ] Not applicable [X]

12. The Board of Directors should perform its duties with unity of purpose and independence of judgement, treat all shareholders in the same position equally, and be guided by corporate interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the economic value of the company.

And in the pursuit of social interest, in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted customs and good practices, it should seek to reconcile its own social interest with, as appropriate, the legitimate interests of its employees, its suppliers, its clients and other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Complies [X]   Partially complies [   ]   Explain [   ]

Following the completion in 2019 of the Company's financial restructuring process, in 2020 the Board of Directors has performed its duties, guided at all times by the corporate interest, reconciling it with the legitimate interests of all affected stakeholders and with the impact on the community and the environment.

In 2020, the impact of the COVID-19 pandemic on the Company was a major challenge for the Board of Directors, which, in order to ensure continuity and maximise the value of the company, focused its efforts on obtaining new financing and on the preparation and approval of a new Strategic Plan, while at the same time protecting the health of employees through the effective implementation of infection prevention protocols in all plants and work centres, devoting all available means to prevent the spread of the virus.

13. The size of the Board of Directors should be sufficient for effective and participatory functioning, which makes it advisable for it to have between five and fifteen members.

Complies [X]   Explain [   ]

14. The Board of Directors should adopt a policy aimed at encouraging an appropriate composition of the Board of Directors and that:

a) is specific and verifiable;

b) ensures that proposals for appointment or re-election are based on a prior analysis of the competencies required by the Board; and

c) encourages diversity of knowledge, experience, age and gender. For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to be conducive to gender diversity.

The result of the prior analysis of the competencies required by the Board of Directors should be included in the Appointments Committee's explanatory report published when convening the General Shareholders' Meeting, at which the ratification, appointment or re-election of each director is to be submitted.

Compliance with this policy shall be verified annually by the Appointments Committee and reported in the Annual Corporate Governance Report.

Complies []   Partially complies [X]   Explain [   ]

The Board of Directors does not have a "specific and verifiable" written policy for the selection of directors; however, all proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors, carried out by the Appointments and Remuneration Committee and subsequently by the entire Board, which favours diversity of knowledge, experience and gender.

In any case, the result of the prior assessment of the needs of the Board of Directors is included in the supporting report issued by the Appointments and

Remuneration Committee, which takes into account the aforementioned aspects.

To date, the Company has understood that it is preferable not to have a static, written policy that is generally applied, and has opted to carry out a specific analysis on a case-by-case basis whenever the need to select arises, without being constrained by a predefined policy that limits the adaptation of the profile to the needs of each moment, depending on the changing circumstances of the company, the composition of the Board at any given time, the evolution of the business, regulations, etc. However, the advisability of having a written policy is being reconsidered and a draft is being worked on.

15. Proprietary and independent directors should constitute an ample majority of the Board of Directors and the number of executive directors should be the minimum necessary, taking into account the complexity of the corporate group and the percentage interest held by executive directors in the company's share capital.

And the number of female directors should account for at least 40% of the members of the Board of Directors by the end of 2022 and thereafter, and not less than 30% prior to that.

Complies []   Partially complies [X]   Explain [ ]

The Company complies with the first paragraph of the recommendation in full because proprietary (50%) and independent (30%) directors constitute a large majority of the Board of Directors, and the number of executive directors (1) is the minimum necessary, taking into account the complexity of the corporate group.

As regards the number of female directors of the Company, although the current number of female directors is below 30% (it was 20% in 2020), and the Company does not yet comply with the recommendation, the Appointments and Remuneration Committee is working to promote gender diversity and to increase the presence of female directors on the Board of Directors so that the Company complies and that the number of female directors represents at least 40% of the members of the Board of Directors by the end of 2022, and not less than 30% before then.

In this regard, the Company expects the Board of Directors to approve, in 2021, a Board of Directors Diversity and Director Selection Policy, which will include in writing the Board's commitment to ensure that the procedures for the selection of directors do not involve any discrimination and, in particular, facilitate the selection of female directors in a number that allows for a balanced presence of women and men, also committing, in general, to promote diversity in the composition of the Board and its Committees in terms of knowledge, experience, age and gender, among other matters.

16. The percentage of proprietary directors out of the total number of non-executive directors should not be greater than the proportion between the capital of the company represented by such directors and the rest of the capital.

This criterion may be mitigated:

a) In large cap companies in which there are few shareholdings that are legally considered significant.

b) In the case of companies in which there is a plurality of shareholders represented on the Board of Directors and they are not related to each other.

Complies [X]   Explain [ ]

17. The number of independent directors should represent at least half of the total number of directors.

Nevertheless, when the company is not a large cap company or when, even if it is a large cap company, it has one or more shareholders acting in concert who control more than 30% of the share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [] Partially complies [X]

As at 31 December 2020, the Company has three independent directors, representing 30% of the total number of directors of the Company, a percentage close to the 33.33% required by the recommendation for companies that are not large cap companies. The Appointments and Remuneration Committee aims to comply with the recommendation and reach a third of the total number of directors.

18. Companies should disclose the following information about their directors on their website and keep it updated:

a) Professional profile and bio.

b) Other boards of directors to which they belong, whether they are listed companies or not, as well as other paid activities that they perform, whatever their nature may be.

c) Indicate the category of director to which they belong, detailing, in the case of proprietary directors, the shareholder they represent or with whom they have ties.

d) d) Dates of their first appointment as a board member and subsequent re-elections.

e) Company shares, and options thereon, held by them.

Complies [X] Partially complies [ ] Explain [ ]

19. The Annual Corporate Governance Report, after verification by the Appointments Committee, should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and should explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others at whose urging proprietary directors have been appointed.

Complies [] Partially complies [ ] Explain [ ] Not applicable [X]

20. The proprietary directors should submit their resignation when the shareholder they represent transfers their entire shareholding. They should also do so, in the corresponding number, when such shareholder reduces their shareholding to a level that requires a reduction in the number of their proprietary directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the articles of association, except where just cause is found by the Board, based on a report from the Appointments Committee. In particular, just cause shall be deemed to exist when the director takes up new posts or incurs new obligations that prevent them from devoting the necessary time to the performance of the duties inherent to the post of director, fails to fulfil the duties inherent to their post or comes under any of the circumstances that cause them to lose their independent status, in accordance with the provisions of the applicable legislation.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations involving a change in the capital structure of the company, when such changes in the structure of the Board of Directors are prompted by the proportionality criterion set out in Recommendation 16.

Complies [X]   Explain [ ]

22. Companies should establish rules obliging directors to report and, where appropriate, resign when situations arise affecting them, whether or not related to their actions in the company itself, which could damage the credit and reputation of the company and, in particular, obliging them to inform the Board of any criminal proceedings in which they are under investigation, as well as the procedural events thereof.

And, having been informed of or otherwise having become aware of any of the situations mentioned in the preceding paragraph, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide, after a report from the Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing their removal. And this should be reported in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which should be recorded in the minutes. This is without prejudice to the information that the company must disclose, where appropriate, when the relevant measures are taken.

Complies []   Partially complies [ ]   Explain [X]

Article 18 of the Board Regulations establishes rules that oblige directors to offer their resignation and, if so decided by the Board, to resign, c) "when they are convicted of a criminal offence or are subject to a disciplinary sanctions for serious or very serious misconduct as a result of proceedings conducted by the supervisory authorities", precisely because both cases could damage the credit and reputation of the company. Therefore, the company understands that the rule is established.

Nevertheless, prior to being convicted, the Regulations of the Board do not oblige the Director to inform the Board of Directors of the criminal cases in which they appear as a defendant or of any subsequent legal proceedings.

A different matter is the obligation to inform of any criminal proceedings open against a director and the status of a director prosecuted for a corporate offence, so that the Board can examine the case and decide whether or not the director should continue in office. The Board Regulations do not expressly provide for this obligation to provide information prior to the existence of a conviction in any type of open criminal case, in order to preserve the right to privacy and honour of directors at a stage in which their guilt has not yet been proven and declared in a judgement, since such communication could cause them irreparable harm even if the case is finally dismissed. Although the current Regulation does not expressly require reporting on the existence of criminal cases prior to conviction, nor does it require monitoring of the procedural events by the Board, the Board is considering amending Article 18 to establish a rule that fully complies with the recommendation of the Unified Code of Good Governance.

23. All directors should clearly express their opposition when they consider that any proposed decision submitted to the Board may be contrary to the company's interests. In particular, independent and other directors who are not affected by the potential conflict of interest should do likewise in the case of decisions that may be detrimental to shareholders not represented on the Board.

When the Board of Directors makes material or reiterated decisions about which a director has expressed serious reservations, the director should draw the pertinent conclusions and, if they choose to resign, explain the reasons in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if they do not have the status of a director.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

24. When, either by resignation or by resolution of the General Shareholders' Meeting, a director resigns before the end of their term of office, they should sufficiently explain the reasons for their resignation or, in the case of non-executive directors, their opinion on the reasons for the removal by the Board, in a letter to be sent to all members of the Board of Directors.

This should all be reported in the Annual Corporate Governance Report, and if it is relevant for investors, the company should publish an announcement of the departure as quickly as possible, including sufficient reference to the reasons or circumstances provided by the director.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

25. The Appointments Committee should ensure that non-executive directors have sufficient time available for the adequate performance of their duties.

And the Board regulations should establish the maximum number of company boards on which its directors may sit.

Complies []   Partially complies [X]   Explain [ ]

The annual Work Plan of the Appointments and Remuneration Committee includes the annual review of the commitment of the directors and their other professional obligations.

The Company has no established rules on the number of Boards to which a Director may belong, since the impact on the availability of time for the performance of their duties in the Company will depend on the level of occupation and the positions that the Director in question holds on the other Boards, which will be analysed in each case.

26. The Board of Directors should meet with the necessary frequency to perform its duties effectively and at least eight times a year, following the schedule of dates and matters established at the beginning of the year, with each director having the right to propose other items on the agenda that were not initially foreseen.

Complies [X]   Partially complies [ ]   Explain [ ]

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. And when they do occur, proxies should be granted with instructions.

Complies [X] Partially complies [ ] Explain [ ]

28. When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the Board meeting, they should, at the request of the person expressing them, be recorded in the minutes.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, including, if circumstances so require, external advice at the company's expense.

Complies [X] Partially complies [ ] Explain [ ]

30. Regardless of the knowledge required of directors for the performance of their duties, companies should also offer directors refresher programmes when circumstances so advise.

Complies [X] Partially complies [ ] Not applicable [ ]

31. The agenda for Board meetings should clearly indicate the points on which the Board is to adopt a decision or resolution, so that directors can study or obtain the information necessary for its adoption beforehand.

When, exceptionally, for reasons of urgency, the Chairman wishes to submit decisions or resolutions not appearing on the agenda to the approval of the Board of Directors, the prior express consent of the majority of the directors present shall be required, which shall be duly recorded in the minutes.

Complies [X] Partially complies [ ] Explain [ ]

32. Directors should be regularly informed of movements in share ownership and of the pinions of major shareholders, investors and rating agencies on the company and its group.

Complies [X] Partially complies [ ] Explain [ ]

33. The Chairman, as the person responsible for the effective functioning of the Board of Directors, in addition to the duties assigned by law and the company's articles of association, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive officer; be responsible for the management of the board and the effectiveness of its functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review refresher programmes for each director, when circumstances so advise.

Complies [X]   Partially complies [ ]   Explain [ ]

34. Where there is a Coordinating Director, the articles of association or Board regulations should grant them the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; to give voice to the concerns of non-executive directors; to maintain contacts with investors and shareholders to hear their views in order to form an opinion on their concerns, particularly in relation to the company's corporate governance; and to coordinate the Chairman's succession plan.

Complies []   Partially complies [ ]   Explain [X]   Not applicable [ ]

Neither the Regulations of the Board nor the Articles of Association of the company consider additional functions to those established in Art. 529 septies of the consolidated text of the Spanish Companies Act for the Coordinating Director.

The Board of Directors considers that these legal functions are sufficient for the Coordinating Director to carry out their duties adequately, without it being necessary to attribute any additional functions to them, although in the event of an amendment to the Board Regulations, the powers considered in the recommendation would be included.

35. The secretary of the Board of Directors should take special care to ensure that, in its actions and decisions, the Board of Directors takes into account the recommendations on good governance contained in this Code of Good Governance that are applicable to the company.

Complies [X]   Explain [ ]

36. The Board of Directors in plenary session should assess, once a year, and adopt, where appropriate, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the operation of the Board of Directors.

b) The functioning and composition of its committees.

c) The diversity in the composition and powers of the Board of Directors.

d) The performance of the Chairman of the Board of Directors and the chief executive of the company.

e) The performance and contribution of each director, paying close attention to those responsible for the different Board committees.

The evaluation of the various committees shall be based on the report they submit to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Appointments Committee.

Every three years, the Board of Directors shall be assisted in the evaluation by an external consultant, whose independence shall be verified by the Appointments Committee.

The business relationships that the consultant or any company in its group has with the company or any company in its group should be disclosed in the Annual Corporate Governance Report.

The process and the areas assessed will be described in the Annual Corporate Governance Report.

Complies [X] Partially complies [ ] Explain [ ]

To maintain a steady flow of information between the Board and its Committees, all the members of the Board have sufficient knowledge and judgement to carry out the evaluation with the help of the independent external firm hired for this purpose, in accordance with the process indicated in this Corporate Governance Report.

37. When there is an executive committee, at least two non-executive directors should sit on it, at least one of whom should be independent; and its secretary should be the secretary of the Board of Directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

The participation structure of the different categories of directors is similar to that of the Board of Directors itself, and its secretary has always been the Secretary to the Board.

The Executive Committee has not met in 2020.

38. The Board of Directors should always be informed of the matters dealt with and decisions made by the Executive Committee, and all members of the Board of Directors should receive copies of the minutes of the Executive Committee's meetings.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

The Executive Committee has not met in 2020.

39. The members of the Audit Committee as a whole, and especially its Chair, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

Complies [X]   Partially complies [   ]   Explain [   ]

40. Under the supervision of the Audit Committee, there should be an internal audit unit to ensure the proper functioning of internal control and information systems, reporting functionally to the non-executive Chairman of the Board or the Chair of the Audit Committee.

Complies [X]   Partially complies [   ]   Explain [   ]

As reported in sections E and F above, following the best practices of good corporate governance, the Company has an Internal Audit Director who oversees the proper functioning of the internal control and information systems. This Director reports functionally to the Chair of the Audit Committee.

The "Internal Audit Charter" approved by the Board of Directors in 2019 defines the purpose, authority and responsibility of internal audit.

The Internal Audit Director is responsible for identifying the Function’s objectives and proposing the action plans to the Committee. In this regard, at its meeting on 24 February 2020, the Audit Committee approved the annual activities plan for that financial year.

41. The head of the unit responsible for the internal audit function should present the annual work plan to the Audit Committee for approval by the committee or the Board, report directly to it on its implementation, including any incidents and limitations in the scope arising in the course of its implementation, the results and follow-up of its recommendations, and submit an activities report to it at the end of each year.

Complies [X]   Partially complies [   ]   Explain [   ]   Not applicable [   ]

42. In addition to those provided for by law, the following functions should correspond to the Audit Committee:

1. With regard to the information and internal control systems:

a) To supervise and evaluate the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, where appropriate, the group – including operational, technological, legal, social, environmental, political, reputational and corruption-related risks – reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) To ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of internal audit; propose the budget for internal audit; approve or propose the approval by the board of the annual internal audit guidelines and work plan, ensuring that its activity is primarily focused on relevant risks (including reputational risks); receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) To establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential importance, including financial and accounting or of any other nature related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and always enable reports to be made anonymously, while respecting the rights of both the complainant and the accused party.

d) To ensure that, in general, the established internal control policies and systems are effectively implemented in practice.

2. With regard to the external auditor:

a) In case of resignation of the external auditor, to examine the circumstances that may have motivated such decision.

b) To ensure that the remuneration of the external auditor for their work does not compromise their quality or independence.

c) To oversee that the company reports the change of auditor to the CNMV accompanied by a statement of any possible disagreements with the outgoing auditor and, if they exist, their content.

d) To ensure that the external auditor holds an annual meeting with the full Board of Directors to inform it of the work performed and the development of the accounting and risk situation of the company.

e) To ensure that the company and the external auditor comply with existing rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence.

Complies [] Partially complies [X] Explain [ ]

Of all the functions indicated in the aforementioned recommendation, the Audit Committee is assigned, in addition to those provided for by law, the following functions pursuant to Article 21 of the Regulations of the Board:

With regard to the information and internal control systems:

a) Supervise the preparation process and the integrity of the financial information relating to the company and its group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria, and
b) Ensure the independence and effectiveness of the unit assuming the internal audit function; propose the selection, appointment, re-appointment and removal of the head of the internal audit service; propose the budget for the internal audit service; approve the guidance and work plans of the internal audit service, ensuring that its activity is primarily focused on the company's relevant risks; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

The Board Regulations do not expressly include the function: “Establish and supervise a mechanism that allows employees to report, confidentially and, if possible and appropriate, anonymously, potentially significant irregularities, especially financial and accounting irregularities, that they become aware of within the company”; however, the Company complies with the recommendation because the mechanism is already established in practice, through the whistleblower channel, which allows any irregularity to be reported at canaldedenuncias@tubosreunidos.com, in line with the Tubos Reunidos Group’s Code of Ethical Conduct, available on its website. In addition, Article 21 of the Regulations also entrusts the Committee with the function of monitoring compliance with internal codes of conduct.

On the other hand, the Chair of the Audit Committee is part of the independent control body that is regulated in the Compliance model, there the mechanism exists and the Chair of the Committee supervises said mechanism.

With regard to the reporting of potentially significant irregularities, especially financial and accounting irregularities, which are detected within the company in the performance of these duties, the Committee relies on the internal audit director, under the supervision of the Committee.

2. With regard to the external auditor:
a) In case of resignation of the external auditor, examine the circumstances that may have motivated such decision,
b) Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence; and
e) Ensure that the company and the external auditor comply with existing rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence.

The Regulation of the Board does not specifically include: “c) Oversee that the company reports the change of auditor as a relevant fact to the CNMV accompanied by a statement of any possible disagreements with the outgoing auditor and, if they exist, their content”. The reason for this is that this question was not raised until the 2019 financial year, which produced a change in the audit firm for the first time in 34 uninterrupted years. The Board may expressly introduce this function when the Regulations are next amended.

The Regulations of the Board do not expressly include the function "d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform it of the work performed and the development of the accounting and risk situation of the company", since the Audit Committee informs the Board in detail, verbally and through the minutes, of the issues discussed with the external auditor and the Board believes that the meetings the Audit Committee periodically holds with the external auditor along with the detailed information that the Chair of that Committee regularly provides to the Board, is sufficient for it to have up-to-date information on the work carried out by the audit firm and on the development of the company's accounting and risk situation.

Finally, it is worth noting that, in relation to the tasks established in the recommendation that are not expressly provided for in the Regulations of the Board as functions attributed to the Audit Committee, such tasks may be assigned to it by the Board of Directors at any time, as provided for in Article 21 of the Regulations of the Board.

43. The Audit Committee should be able to summon any employee or manager of the company, and even order their appearance without the presence of any other manager.

Complies [X]   Partially complies [ ]   Explain [ ]

44. The Audit Committee should be informed of any structural and corporate changes the company plans to make in order to analyse them and report to the Board of Directors beforehand on their economic conditions and accounting impact and, in particular, where appropriate, on the proposed exchange equation.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

45. The risk control and management policy should identify or determine at least:

a) The different types of financial and non-financial risk (including operational, technological, legal, social, environmental, political and reputational, along with those related to corruption) which the

Company faces — with contingent liabilities and other off-balance risks included among the financial or economic risks.

b) A tiered risk management and control model, including a specialised risk committee where sectoral rules so provide or where the company deems it appropriate.

c) The determination of the level of risk that the company considers acceptable.

d) The measures planned to mitigate the impact of the risks identified, should they materialise.

e) The information and internal control systems that will be used to control and manage the above-mentioned risks, including contingent liabilities or off balance-sheet risks.

Complies [X] Partially complies [ ] Explain [ ]

46. Under the direct supervision of the Audit Committee or, as the case may be, of a specialised committee of the Board of Directors, there should be an internal risk control and management function exercised by an internal unit or department of the company with the following functions expressly attributed to it:

a) Ensure the proper functioning of the risk management and control systems and, in particular, that all important risks that affect the company are properly identified, managed and quantified.

b) Actively participate in the preparation of the risk strategy and in important decisions about its management.

c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.

Complies [X] Partially complies [ ] Explain [ ]

The function is being carried out by the Internal Audit Department

47. The members of the Appointments and Remuneration Committee – or of the Appointments Committee and the Remuneration Committee, if they are separate – should be have the knowledge, skills and experience appropriate to the duties they are called upon to perform, and the majority of such members should be independent directors

Complies [X] Partially complies [ ] Explain [ ]

48. Large-cap companies should have a separate Appointments Committee and Remuneration Committee.

Complies [] Explain [ ] Not applicable [X]

49. The Appointments Committee should consult with the Chairman of the Board of Directors and the Chief Executive Officer of the company, especially on matters relating to executive directors.

And any director should be able to request that the Appointments Committee consider potential candidates to fill vacancies on the Board, if it considers them suitable.

Complies [X] Partially complies [ ] Explain [ ]

50. The Remuneration Committee should perform its functions independently and have the following functions in addition to those assigned by law:

a) Propose to the Board of Directors the basic terms and conditions of the contracts of Senior Management.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior management, including share-based remuneration schemes and their implementation, and ensure that their individual remuneration is proportionate to that paid to other directors and senior management of the company.

d) Ensure that any conflicts of interest do not impair the independence of the external advice provided to the committee.

e) Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.

Complies [] Partially complies [X] Explain [ ]

Of all the functions established in the aforementioned recommendation, the Appointments and Remuneration Committee is assigned, in addition to those provided for by law, the following functions pursuant to article 22 of the Regulations of the Board:

a) Propose to the Board of Directors the basic terms and conditions of the contracts of Senior Management; and

b) Monitor compliance with the remuneration policy set by the company.

The Regulations of the Board do not expressly include the function: "c) Periodically review the remuneration policy applied to directors and senior management, including share-based remuneration schemes and their implementation, and ensure that their individual remuneration is proportionate to that paid to other directors and senior management of the company", but they do include the function of proposing to the Board the remuneration policy for directors and senior management or those who perform senior management functions reporting directly to the Board, executive committees or CEOs. Therefore, having been assigned the function of making proposals, the Company considers that this requires a prior step consisting of the analysis and periodic review of said policy, as is effectively carried out at the first meeting of the year held by the Audit Committee in relation to the closing of all aspects of remuneration for the previous year and to the policy for the current year, the agenda of which includes the review.

The Regulations of the Board do not expressly include the function “d) Ensure that any conflicts of interest do not impair the independence of the external advice provided to the committee.” The company believes that its inclusion is not necessary because the Appointments and Remuneration Committee has not had to analyse or examine any issue in relation to aspects that could have entailed a threat to the independence of the external advisers of that Committee, nor has it been informed by external advisers on aspects that could impair their independence. On the other hand, the Appointments and Remuneration Committee follows the usual professional procedure for the selection of external consultants, requesting several proposals and analysing all the aspects related to the candidates, including possible conflicts of interest, and has always contracted top level companies in terms of proven reputation and independence.

The Regulations of the Board do not expressly include the function: e) "Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors"; however, although it is not expressly considered as a specific function of the Appointments and Remuneration Committee by the Board Regulations, it is fulfilled in practice, since this verification function is carried out by the Appointments and Remuneration Committee, and is included as an item on the agenda of the meeting held prior to the approval of the Annual Remuneration Report by the Board, as well as with regard to the remuneration of senior management, which is included in corporate documents such as the ACGR and the Notes to the Annual Accounts.

51. The Remuneration Committee should consult with the company's Chairman and Chief Executive Officer, especially on matters relating to executive directors and senior management.

Complies [X] Partially complies [ ] Explain [ ]

52. The rules for the composition and functioning of the supervisory and control committees should be set out in the Board of Directors' Regulations and be consistent with those applicable to legally binding committees in accordance with the above recommendations, including:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) They should be chaired by independent directors.

c) The Board of Directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the duties of each committee, deliberate on their proposals and reports, and report on their activities at the first Board plenary session following their meetings, and be accountable for the work carried out.

d) The Committees should seek external advice when they deem it necessary for the performance of their duties.

e) Minutes of the meetings should be recorded and made available to all directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

53. Supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the Appointments Committee, a committee specialising in sustainability or corporate social responsibility or any other specialised committee that the Board of Directors, in exercise of its powers of self-organisation, has decided to create. And such a committee should be composed solely of non-executive directors, the majority of whom should be independent, and should be specifically attributed the minimum functions indicated in the following recommendation.

Complies [] Partially complies [X] Explain [ ]

Supervision of compliance with corporate governance rules and internal codes of conduct is attributed to the Audit Committee (article 21 of the Board Regulations), which is responsible for monitoring compliance with internal codes of conduct and corporate governance rules.

With regard to the supervision of compliance with environmental, social and sustainability policies and rules, and the corporate social responsibility policy, which includes various functions (the supervision of the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders; the periodic evaluation of the adequacy of the company's corporate governance system, so that it fulfils its mission of promoting the social interest and takes into account, as appropriate, the legitimate interests of the remaining stakeholders; the review of the company's corporate responsibility policy, ensuring that it is oriented towards the creation of value; the monitoring of the corporate social responsibility strategy and practices and assessing their degree of compliance; the supervision and assessment of the processes of relations with the different stakeholders; the assessment of all matters relating to the company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks; and the coordination of the process of reporting non-financial and diversity information, in accordance with the applicable regulations and international reference standards), the Board of Directors considers that it is more appropriate that such matters be dealt with by the Board of Directors in plenary session, and therefore considers it appropriate that such functions not be delegated to the committees on a permanent basis.

However, the Company envisages that the Board of Directors may specifically assign the supervision of compliance with the policies and rules on environmental, social and sustainability matters to one or more Board committees in order to comply with the recommendation.

54. The minimum functions referred to in the above recommendation are as follows:

a) Supervising compliance with corporate governance rules and the company's internal codes of conduct, ensuring that the corporate culture is aligned with their aims and values.

b) Overseeing the implementation of the general policy on economic-financial, non-financial and corporate reporting as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and relates to small and medium-sized shareholders will also be monitored.

c) Assessing and periodically reviewing the corporate governance system and the company's environmental and social policy, to fulfil the mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders.

d) Ensuring that the company's environmental and social practices conform to the strategy and policy set.

e) Supervising and assessing relationships with the various stakeholders.

Complies [] Partially complies [X] Explain [ ]

The Audit Committee, as a delegated body of the Board of Directors without executive capacity, is attributed the function indicated in section a), as it supervises compliance with the rules of Corporate Governance and the company's internal codes of conduct. The Independent Control Body, which reports to the Audit Committee and in which the Chair of the Audit Committee participates, is responsible for monitoring the Group's internal code of ethical conduct.

The Board of Directors closely monitors, through its Executive Chairman and the Audit Committee, communication with shareholders, investors, proxy advisors and other stakeholders, and also approves the reporting of economic-financial and non-financial information to the market. Among the responsibilities of the Board is the preparation of the Statement of Non-Financial Information, in which the monitoring of the Corporate Social Responsibility policies and projects developed by the Group during the year is detailed.

It is the Board itself that supervises the company's practices in environmental and social matters. The company has not specifically attributed to any committee the function of evaluating and periodically reviewing the environmental and social policy, because it has considered that it is more convenient for these matters to be dealt with by the Board of Directors in plenary session, without being permanently delegated to the committees. The same applies to the supervision and evaluation of the processes of relations with the different stakeholders: this function is assumed by the Board of Directors itself and is not specifically attributed to a specific committee.

The Company does have an unwritten Corporate Social Responsibility policy, as reflected in the Statement of Non-Financial Information for 2019 available on the Company's website http://www.tubosreunidos.com/upload/archivo/EINF %202019%20audited[1].pdf) although it does not have a written statement of its Corporate Social Responsibility actions and policies, and the Board ensures that the policy is oriented toward value creation, as this is a matter of vital importance to the Company.

The Annual Report (Notes) reports on the activities carried out in terms of corporate social responsibility, among which those related to the following stand out:
a) Occupational health and safety
b) The environment, having the ISO 14001 Certification.
c) Quality, with certifications such as ISO 9001, ISO/TS 16949, European Pressure Equipment Directive (PED), IBR (Well-Known Pipe Maker) and others.
d) Collaborations with non-profit organisations.

The Company has drawn up a Statement of Non-Financial Information for the 2020 financial year, which aims to comprehensively describe Tubos Reunidos Group's activities and their results in the economic, social and environmental fields. The document presents data pertaining to different areas that allow for an understanding of the particular situation in each area, as well as identifying possible future risks. To prepare such document, the provisions of the applicable legal regulations regarding non-financial information have been followed, in particular Law 11/2018 of 28 December.

Said document includes the principles and commitments that the company voluntarily undertakes in its relationship with the different stakeholders, and identify, among other issues:

a) The objectives of the corporate social responsibility policy and the development of support instruments (Pages 7; 25 to 29; 41; 47 to 50; 52 to 56; 60 to 61; 68 to 70; 74 to 75 of the Statement of Non-financial Information).
b) The corporate strategy related to sustainability, the environment and social matters (Pages 14 to 15, 18 to 21; 30 to 32; 33 to 79 of the Statement of Non-Financial Information).
c) Specific practices regarding: shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct (Pages 13; 28 to 29; 52 to 59; 64 to 79; 49 to 50; 90; 95 to 99 of the Statement of Non-Financial Information).
d) The methods or systems for monitoring the results of the implementation of the specific practices indicated in the subparagraph above, the associated risks and their management (Pages 30 to 32, 93 to 94 of the Statement of Non-Financial Information).
e) The supervision mechanisms of non-financial risk, ethics and business conduct. The communication, participation and dialogue channels with stakeholders (Pages 28 to 29, 88 to 98 of the Statement of Non-Financial Information).
g) Responsible communication practices that avoid the manipulation of information and protect integrity and honour (Pages 93 to 100; 112 of the Statement of Non-Financial Information).

55. Social and environmental sustainability policies should identify and include at least:

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of corruption and other illegal conduct

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The supervision mechanisms of non-financial risk, ethics and business conduct.

d) The communication, participation and dialogue channels with stakeholders.

e) Responsible communication practices that avoid the manipulation of information and protect integrity and honour.

Complies [] Partially complies [ ] Explain [X]

The Company does not yet have written sustainability policies on environmental and social matters that identify and include all the points indicated in the recommendation, although the Board of Directors plans to comply with the recommendation by approving, in financial year 2021, an Environmental and Social Sustainability Policy covering, among other things, the principles, commitments, objectives and strategy with respect to: the principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of corruption and other illegal conduct; the methods or systems for monitoring compliance with policies, associated risks and their management; the supervision mechanisms of non-financial risk, ethics and business conduct; the communication, participation and dialogue channels with stakeholders; responsible communication practices that avoid the manipulation of information and protect integrity and honour.

56. Directors' remuneration should be sufficient to attract and retain directors with the desired profile and to reward the dedication, qualifications and responsibility that the post demands, but not so high as to compromise the independence of judgement of non-executive directors.

Complies [X] Explain [ ]

57. Variable remuneration linked to the company's performance and personal performance, as well as remuneration in the form of shares, options or rights over shares or instruments indexed to the value of the share and long-term savings schemes such as pension plans, retirement schemes or other social welfare schemes, should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The foregoing shall not apply to shares that the director needs to dispose of, if any, in order to meet the costs related to their acquisition.

Complies [] Partially complies [X] Explain [ ]

The remuneration of the Board mainly consists of a fixed salary and attendance allowances. Nevertheless, the Board has a very small variable remuneration equal to 0.5% of the consolidated net profit, as the case may be, which is distributed linearly among all directors. This part of the remuneration of the Board, in line with the good corporate governance principles, can be qualified as of little relevance and of little weight in the overall remuneration of the Board.

Therefore, the company does not strictly comply with the recommendation, as variable remuneration in 2020 was not limited exclusively to executive directors, as non-executive directors have the right to variable remuneration of 0.5% of the consolidated net profit. The company understands that this variable component is very insignificant and has a very low, almost symbolic weight in relation to the annual remuneration of the Board, and therefore cannot have a negative impact on the good governance of the company by the Board of Directors; but it can have the positive effect of reinforcing the alignment of the Board with the interests of the shareholders.

No variable remuneration was accrued by any non-executive directors for the 2020 financial year.

58. In the case of variable remuneration, remuneration policies should include limits and technical safeguards to ensure that such remuneration reflects the professional performance of the beneficiaries and not merely the general progress of the markets or the company's sector of activity or other similar circumstances.

And, in particular, the variable remuneration components should:

a) Be linked to performance criteria that is predetermined and measurable and which considers the risk undertaken to obtain a result.

b) Promote the sustainability of the company and include non-financial criteria that are suitable for long-term value creation, such as compliance with the rules and internal procedures of the company and its policies for risk management and control.

c) Be configured on the basis of a balance between meeting short-, medium- and long-term objectives, allowing performance to be rewarded for ongoing performance over a sufficient period of time to appreciate its contribution to sustainable value creation, so that the elements of performance measurement do not revolve solely around one-off, occasional or extraordinary events.

Complies [] Partially complies [ ] Explain [X] Not applicable [ ]

While the variable remuneration of the Board is directly and exclusively related to the economic returns of the Company (0.5% of the consolidated profit), as indicated in the previous section, there is very little relevance, for which the company understands that the precautions indicated in this recommendation are not necessary.

In the case of the Executive Chairman's variable remuneration, the terms of their contract do ensure that it is related to the professional performance of the beneficiary and does not derive solely from the general evolution of the markets or the company's sector of activity. It is linked to performance criteria that are predetermined and measurable and these criteria consider the risk assumed to achieve a result, promote the sustainability of the company and include non-financial criteria such as compliance with the Code of Ethical Conduct that are appropriate for the creation of long-term value.

The Executive Chairman's variable remuneration aims to link the Executive Chairman to the creation of value for the Company for the benefit of all its stakeholders (shareholders, employees, financial institutions, clients, suppliers, etc.), and the creation of value is precisely the basis for the quantification of the incentive, by means of a table in which a progressively increasing percentage is established according to the amount of value creation quantified. This system has been embodied in the Remuneration Policy that was approved by the General Shareholders' Meeting on 29 October 2020. The Executive Chairman’s variable remuneration is configured on the basis of a balance between meeting short-, medium- and long-term objectives, allowing performance to be rewarded for ongoing performance over a sufficient period of time to appreciate its contribution to sustainable value creation, so that the elements of performance measurement do not revolve solely around one-off, occasional or extraordinary events.

59. The payment of variable components of remuneration should be subject to sufficient verification that the performance or other conditions set out above have been effectively met. Entities shall include, in the annual directors' remuneration report, the criteria as to the time required and methods for such verification depending on the nature and characteristics of each variable component.

In addition, entities should consider the establishment of a malus clause based on the deferral for a sufficient period of time of the payment of a part of the variable components that entails their total or partial loss in the event that some event occurs prior to the time of payment that makes it advisable to do so.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

60. Remuneration linked to the company's results should take into account any qualifications stated in the external auditor's report and reduce those results.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

61. A relevant percentage of the variable remuneration of executive directors should be linked to the provision of shares or financial instruments referenced to their value.

Complies []   Partially complies [ ]   Explain [X]   Not applicable [ ]

Although Article 26 of the Articles of Association provides for the possibility that the remuneration of executive directors may consist of compensation of any kind, the Company has not considered it necessary for the time being to establish remuneration for its Executive Chairman in the form of shares or financial instruments indexed to their value, as it considers that the current variable remuneration systems for the Chief Executive Officer are the most appropriate to encourage their motivation and professional performance, as well as their commitment to and engagement with the interests of the Company and the Group. In particular, the Executive Chairman's variable remuneration is linked to pre-determined and measurable performance criteria that allow their ongoing performance to be remunerated over a sufficient period of time to appreciate their contribution to sustainable value creation.

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been attributed, executive directors may not transfer ownership or exercise them until at least three years have elapsed.

An exception is made where the director maintains, at the time of the transfer or exercise, a net economic exposure to changes in the share price of a market value equivalent to an amount of at least twice their annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the Appointments and Remuneration Committee, to meet extraordinary situations that so require.

Complies []   Partially complies [ ]   Explain [ ]   Not applicable [X]

63. Contractual arrangements should include a clause allowing the company to claim reimbursement of variable components of remuneration where payment has not been in line with performance conditions or where they have been paid on the basis of data subsequently found to be inaccurate.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

64. Payments for termination or expiry of the contract should not exceed an amount equivalent to two years of the total annual remuneration and should not be paid until the company has been able to verify that the director has complied with the criteria or conditions established for their receipt.

For the purposes of this recommendation, termination or contractual termination payments should include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the director's contractual relationship with the company, including amounts not previously vested in long-term savings schemes and amounts paid under post-contractual non-competition agreements.

Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

.

H. OTHER INFORMATION OF INTEREST

1. If there are any relevant aspects of corporate governance in the company or in the entities of the group that have not been included in the other sections of this report, but which it is necessary to include in order to provide more complete and reasoned information on the structure and practices of governance in the company or its group, briefly describe them.

2. Within this section, you may also include any other information, clarification or details related to the previous sections of the report insofar as they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to corporate governance legislation other than Spanish law and, if so, include the information that it is obliged to provide and which differs from that required in this report.

3. The company may also indicate whether it has voluntarily adhered to other international, sectoral or other codes of ethical principles or best practices. As the case may be, the code in question and the date of accession should be identified. In particular, it shall mention whether it has adhered to the Code of Good Tax Practices of 20 July 2010:

In order to provide more complete information, in relation to section C.1.19, we must clarify that the Company's Articles of Association do not establish any age limit for holding office, and that article 18 of the Board Regulations establishes the ages indicated in the report, but only as an obligation to tender resignation to the Board, without prejudice to what the Board may decide in this respect with respect to the continuity or removal of the director.

GOOD TAX PRACTICES. The Company has not formally adhered to the Code of Good Tax Practices of 20 July 2010 by agreement of the Board of Directors because the objective of that Code is to promote a reciprocally cooperative relationship with the Spanish State Tax Administration Agency (Agencia Estatal de Administración Tributaria), and the taxation of the Company is subject to regional regulations, since it has its registered office in Álava. Notwithstanding the foregoing, the Company maintains a relationship with the Tax Administrations (mainly the local treasuries of Álava and Biscay) based on the principles of transparency and mutual trust, and always in accordance with the principles of good faith and loyalty between the parties. The Company has a Corporate Tax Policy that includes Tubos Reunidos Group's tax strategy and its commitment to the implementation of good tax practices. By virtue of this policy, the Group's compliance with its tax obligations and its relations with the Tax Administrations are governed by the following principles:

1. Apply and comply with current tax regulations in all the territories in which the Group operates
2. Promote responsible tax behaviour that seeks to prevent tax risk, through the following practices
3. Maintain a relationship with the tax administration based on the principles of good faith, collaboration and transparency, and
4. Ensure that the Board of Directors of the Company is aware of the main tax implications of all its decisions and effectively and fully complies with its non-delegable powers in tax matters.

FINAL CONSIDERATION. The Company considers that the functioning of its governing and administrative bodies is good and adequate, but has a clear intention to continue making progress in the area of good corporate governance, adopting the best practices recommended in the Unified Code of Good Governance for listed companies in its updated version of June 2020. While these recommendations are voluntary, the Company believes that they are an essential factor for value creation in the company, improving economic efficiency and enhancing investor confidence. For this reason it considers that, in addition to complying with the basic mandatory compliance standards incorporated into the Capital Companies Act and other applicable legal provisions, it must make as much effort as possible to follow these recommendations.

The Board is of the opinion that, exceptionally, some non-mandatory recommendations are inappropriate or excessively burdensome for the company, as there is a disproportion between their cost and the benefit they bring to the company's interests, taking into account its current size and level of capitalisation. In line with what is anticipated in the Explanatory Statement of the Code of Good Governance, the Company is not a large cap company and its shareholding reality, with the presence of shareholders who, individually or together with others, hold a high percentage of its capital, makes it advisable to mitigate the application of certain rules, compliance with which would be excessively burdensome.

Only in those cases where the recommendation is designed for the general case or for large companies, and in the opinion of the Board it is not appropriate for the particular case, the company, in the exercise of its entrepreneurial freedom and organisational autonomy, has decided not to follow it and has explained the reasons for the lack of follow-up. In these cases, the company has been guided by social interest, understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximisation of the economic value of the company, and has always tried to reconcile the objective of adapting the system to make progress in terms of good Corporate Governance with the possible impact on the profitability and sustainability of the company that each investment necessary to follow the aforementioned recommendations would have.

In any case, the Company has a clear objective to continue to increase its degree of compliance with the good governance recommendations and can report that work is already underway on the following written policies, which it may possibly propose for approval in 2021:

• General Corporate Governance Policy
• Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors (to be published on the website)
• Board of Directors Diversity and Director Selection Policy
• Environmental and Social Sustainability Policy
• General Policy on Economic-Financial, Non-Financial and Corporate Reporting
• Criminal Risk Compliance and Prevention Policy

This Annual Corporate Governance Report has been approved by the Board of Directors of the company, in its meeting dated:

25/03/2021

Indicate whether there have been any directors who voted against or abstained in relation to the approval of the Report.

[ ] Yes
[√] No

TUBOS REUNIDOS GROUP

NON-FINANCIAL INFORMATION STATEMENT

2020

NON-FINANCIAL INFORMATION STATEMENT
| 2020

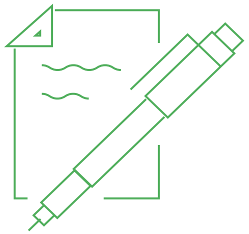
TABLE OF CONTENTS




LETTER FROM THE CHAIRMAN

FRANCISCO IRAZUSTA

CHAIRMAN



We are facing an unprecedented health, social and economic situation. The uncertainty created by the COVID-19 pandemic has materialised in a deep economic recession, which is affecting all areas of the Company, including both its staff and business. It is the most significant challenge we have had to face in recent years. Fortunately, as of today, the vaccination process has already begun, which will surely allow us to return to normal. In the meantime, it remains essential that we maintain strict compliance with all established protocols.

At the Tubos Reunidos Group, we have not been immune to these effects. The 2020 financial year was marked by the impact of the pandemic on the markets and therefore on our business, thus affecting the expected rate of cash generation. However, this has not prevented our team from working with optimism and dedication, to continue to meet the needs of our clients and offering them high value-added solutions. We have managed to combine health protection, maintaining a smoothly operating production process and an adequate level of service to all our clients. I couldn't be more proud of all the people who make up our team, and I would like to express my sincere thanks to them.

Aware of the difficulties we have faced so far, and of the situation we are in, we are working to adapt the strategic plan in order to enable us to meet the challenges facing us.

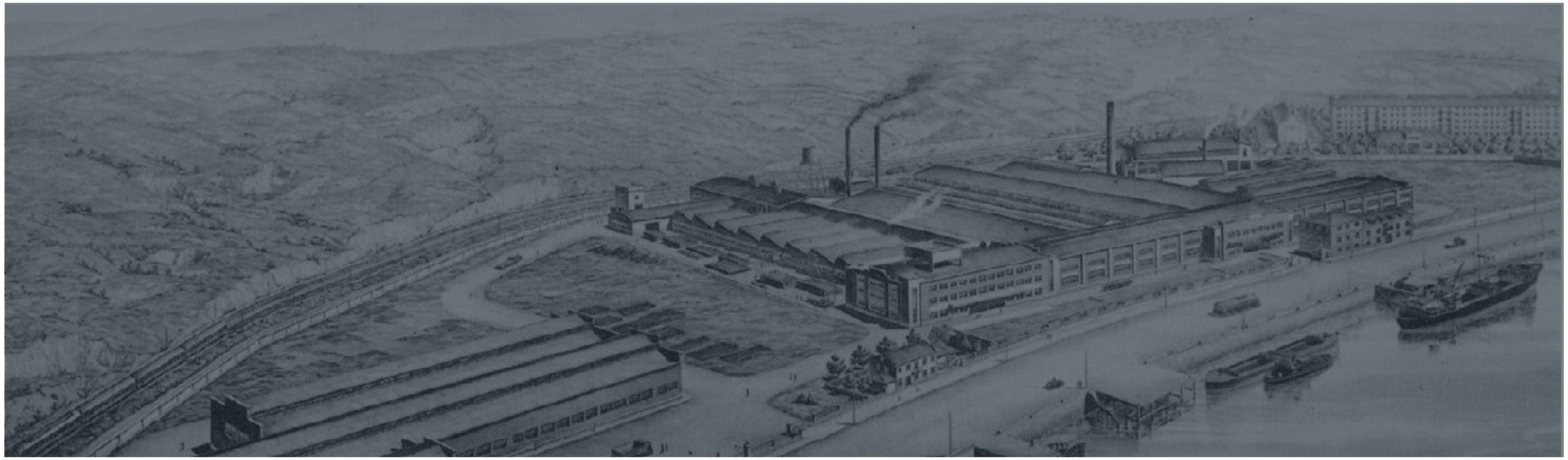
At the Tubos Reunidos Group, we believe that technological innovation and sustainability go hand in hand. Acting on this philosophy, and in close collaboration and contact with our clients, we have created new high value-added solutions in recent years. To address this challenge with enthusiasm and success, our priority is to train and develop our talent, digitise new processes, develop new products and pursue a business strategy aimed at increasing our sales mix across all industries. We aim to create high value-added solutions that require technical capacity, industrial experience, know-how, flexibility, quality and differential innovation for our clients with a prestigious, reputable brand, offering them agile and reliable services and solutions.

We are conscious of our role in society. Our commitment to sustainability is not just an aspirational framework, but a roadmap for responsible growth. The Tubos Reunidos Group has set out to develop solutions aimed at contributing to the fight against climate change and helping to transform the economy into a sustainable environment. In 2020, we increased our market share in eco-downstream solutions with the aim of helping our clients generate cleaner energy for the planet. Our motivation to contribute to sustainable energy transformation will help meet climate neutrality commitments.

To achieve success in our strategy, the well-being and development of all our talent, and their involvement at all levels, is essential. One of our core values, an important part of our DNA, is a commitment to safety in our working environment. We remain focused on the "zero accidents" target. To achieve this, we have a multi-year project under way that will help us to improve the safety culture at all levels of the organisation and preserve process risks in our workplaces.

I would like to end this letter by thanking all the shareholders, clients, suppliers, institutions and collaborators of the Group, as well as the Company as a whole. Their support, effort and commitment have made it possible for our great project to move forward stronger than ever before. We have been anticipating technological solutions for more than 125 years and our passion and motivation is to provide current and future generations with sustainable industrial development with innovative technological solutions that enable us to be the leaders of a sustainable energy transformation.

02 TUBOS REUNIDOS GROUP



LEADERS IN HIGH-VALUE-ADDED SOLUTIONS SINCE 1892

We are a Group with more than 125 years of history in the steel industry and a talent pool of more than 1400 people. We work together to meet the needs of our clients in more than 60 countries, creating customised solutions of high added value. Our commitment to innovation throughout the value chain and in products, the pursuit of excellence, quality and service, within a flexible, sustainable and integrated management model, are the basis on which we drive the sustainability of the business.

We are global suppliers of seamless steel pipes. Global leaders in niche segments, special applications and high-value-added solutions. Our value proposition is aimed at meeting the special and complex service and product requirements of our clients.

In addition, thanks to our commitment to product and process innovation, we offer our worldwide clients a diversified range of specialty pipes, with delivery services tailored to their needs.

Our production capacity is sufficient to meet the specific needs of our clients throughout the world. We produce pipes ranging from half an inch to 26 inches in diameter, all of which combine different materials and properties to yield the required performance.

MISSION, VISION AND VALUES

Our essential value is to **create long-term sustainable value** for our clients, employees, shareholders, suppliers and for society in general, and we are a business group that is socially committed to human rights, ethics, integrity, good governance and sustainable development.

This is why our Group is reiterating its commitment to integrating social, labour and environmental standards in the management of our companies, seeking to create added value that improves the Group in the medium and long term.

ENVIRONMENT

Respect for the environment, leading the energy transition and commitment to sustainable development are the foundations for the basic activities of Tubos Reunidos, and compliance with environmental legislation is a major priority in its activities and measures.

GOAL
2050 carbon neutral commitment

OCCUPATIONAL HEALTH AND SAFETY

At the Tubos Reunidos Group, not only do all our companies have the appropriate systems and management means for the prevention of occupational hazards, but we also actively participate, along with public institutions, trade unions and employers' organisations, in the design and development of projects that promote the implementation of a culture of prevention to reduce the risks and accidents in companies in the industry.

We have a multi-year improvement process under way, advised by DuPONT Sustainable Solutions – one of the world's leading experts in the field – to improve the safety culture at all levels of the Company.

GOAL
Zero accidents

QUALITY

Our Group makes an important effort in terms of quality through the optimisation of production processes and the implementation of continuous improvement, adapting and leading the particular needs of our clients. We have all major quality certifications and the most demanding approvals required by our different clients.

GOAL
Growth and renewal in end-client approvals

FROM THE STEEL MILL TO FINISHING

We have the best fully integrated manufacturing platform, covering almost the entire value chain of our main products, from the steel mill to specific finishing operations. We are able to offer agile, high-performance tailor-made solutions that adapt to special high-value-added applications. Our market positioning is based on two main pillars:

1

OUR INDUSTRY KNOWLEDGE GAINED OVER **MORE THAN 125 YEARS OF EXPERIENCE**

We have extensive knowledge of the chemical and metallographic properties of materials and their behaviour in the different stages of the process, from scrap to finished product. This allows us to adapt to different products and sectors with quality and flexibility.

We have designed an integral manufacturing process and state-of-the-art facilities from the initial phase of transformation of raw material (steel mill), through the rolling process and down to the final inspections carried out on the finishing lines.

We have developed capabilities to be a leader through innovation in finishing, inspection and threading treatments.

We have developed a hot rolling process that is unique in the world, and which is capable of:

- Laminating the widest range of dimensions in the world, from half an inch to 26 inches in outer diameter.
- Manufacturing large outer diameter pipes – with high thicknesses – in all grades of steel, including austenitic stainless steels and nickel superalloys.

2

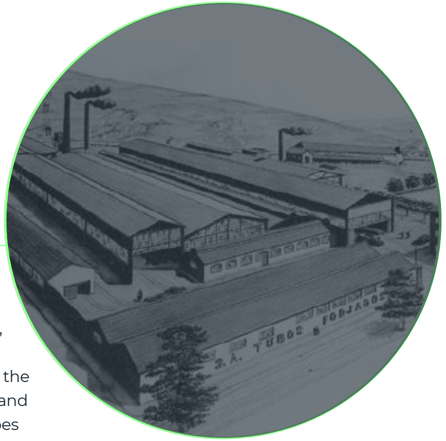
CAPABILITIES THAT **DIFFERENTIATE US** FROM OUR COMPETITORS

The Tubos Reunidos Group has the capacity to develop and **manufacture tailor-made solutions for clients with special high-added-value pipes**, through two R&D+I centres, where we can develop solutions for demanding environments with high corrosion, high-grade collapse, high pressures and temperatures:

- Manufacture of steel pipes for any application in carbon, alloy and stainless steels.

- Versatility and flexibility to offer different combinations of sizes, special diameter-thickness dimensions and steel grades.
- Ability to develop and manufacture custom-grade steel for premium OCTG connections operating in extreme environments.

MORE THAN 125 YEARS OF HISTORY



1892

Establishment of Tubos Forjados, S.A., predecessor of the current Tubos Reunidos, S.A., focused on the manufacture of pipes for boilers and steam pipes, water pipes, gas pipes and other similar purposes.

1940

Start of authorisations and investments to manufacture seamless piping.

1946

Entry into operation of the new seamless piping manufacturing facilities by using a heat thrust-bench.

1950-1970

Successive expansion in order to increase production capacity and access to new products. New cold drawing facilities.

1968

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

1977

First casting at the Amurrio steel mill.

1984

For the first time ever, a new heating and drilling system (C.P.E.) for the head of the thrust-bench is launched in Amurrio, which meant a major technological leap in the manufacture of seamless piping. New facilities for the finishing of oil and natural gas (OCTG) pipes.

1998

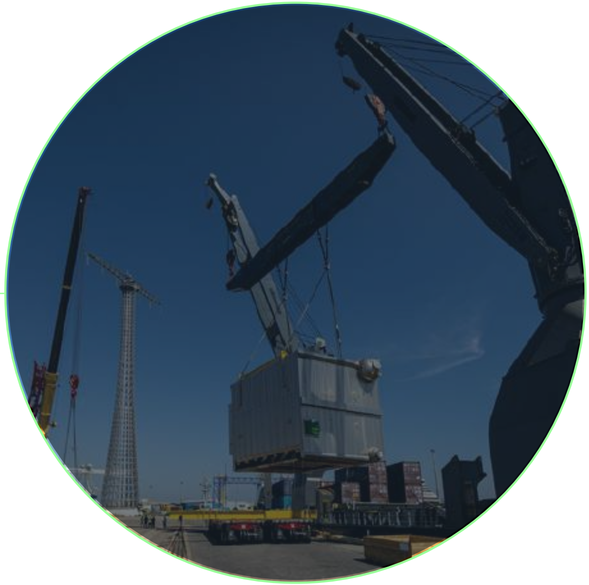
The acquisition of Productos Tubulares, S.A., which offers a wide range of pipes of large dimensions and thickness; including special, alloy and stainless pipes.

2002

New cold drawing facilities in Amurrio.

2005

Tubos Reunidos strengthens its presence in the stock market as its shares are traded on the continuous market.



2011

The Tubos Reunidos Group approves its Strategic Plan, with its main objectives and lines of work being greater specialisation in the range of products, increasing internationalisation of sales, greater exposure to energy-related markets, and maintaining its competitive position through cost containment.

150 M€ INVESTMENT

2012

The Tubos Reunidos Group launches an investment plan of 150 million euro for the development of new products with high added value and to improve competitiveness.

2014

New Strategic Plan and signing of the agreement with Marubeni-Itochu Steel Inc. for the construction of a plant for the manufacturing, marketing and supply of premium OCTG products for oil and gas drilling at a global level: Tubos Reunidos Premium Threads (TRPT).

2016

Opening and start of the new plant with Marubeni-Itochu Steel Inc.

Acquisition of the business assets of Rotary Drilling Tools, Inc. (RDT) in Texas.

The Tubos Reunidos Group geographically diversifies its production installations by acquiring capacity locally in the USA, close to the end user.

2017

Transforma | 360° Value Creation Plan to improve the Group's competitive position and ensure its sustainability.

2018

The European steel pipe tariff enters into force in the United States from June.

2012-2019

179 million euro invested in the transformational plan for new product ranges.

179 M€ INVESTMENT

2019

Debt refinancing framework agreement with financial institutions. Strategy for product and market diversification.

Evaluation of results of the Transforma | 360° Value Creation Plan.

117 INITIATIVES IMPLEMENTED

+120 PEOPLE INVOLVED

REACHES 61% OF THE 45 MILLION RECURRING EBITDA TARGET IMPROVEMENT POTENTIAL

New business strategy focused on higher value-added Downstream and Midstream sectors.

2020

January/February
The significant increase in orders in the last quarter of 2019 allowed us to start 2020 with a strong portfolio and a mix focused on high-value-added products in the midstream and downstream sectors.

March
Fall in orders due to the COVID-19 pandemic. Implementation of strict protocols to ensure the health of staff in all the Group's production centres. Telework. Implementation of containment measures to alleviate the effects of the crisis and to defend the Group's cash position.

Abril
Appointment of **Francisco Irazusta as new Executive Chairman.**

July–October
Our response to COVID-19, solidarity initiatives in the Basque Country.

October
First remote General Shareholders' Meeting.

Vodafone Deia Innovation Sariak awards us in the Industrial Innovation category.

TUBOS REUNIDOS GROUP IN FIGURES

Main figures (financial)

Turnover (in thousands of euro)

2020	2019
241,661	284,442

Tonnes of pipes sold (in thousands of Tn)

2020	2019
142	172

EBITDA (in thousands of euro)

2020	2019
-15,240	-11,438

Total assets (in thousands of euro)

2020	2019
351,135	460,492

Annual production capacity

300,000

TONNES OF PIPES

Contributing to the transformation of a decarbonised economy under a model of good governance

94%

OF THE RAW MATERIAL USED COMES FROM REUSE OF WASTE

100%

of employees trained in the code of ethics

Building lasting relationships with stakeholders

HUMAN CAPITAL

Direct employment

1,427 (2020) | 1,431 (2019)

% under permanent contract

98% (2020) | 96% (2019)

Training hours

6,969 (2020) | 16,729 (2019)

SAME SALARY FOR SAME WORK AND RESPONSIBILITY

SUPPLIERS

% local suppliers

83% (2020) | 81% (2019)

LOCAL COMMUNITIES

Indirect employment

Suppliers and subcontractors

7,000

Meals/Collaboration with restaurants

1.17 million €

2020

SHAREHOLDERS AND INVESTORS

Capitalisation (M€)

35.6 (2020) | 33.5 (2019)

Maximum share price

0.30 (2020) | 0.31 (2019)

PUBLIC ADMINISTRATIONS

Tax payments (M€)

30.6 (2020) | 33.8 (2019)

PARTNERSHIP

Renewal of agreement with Marubeni for 3 years

58M€

EXPECTED TURNOVER

CLIENTS

Number of countries sold to

63 (2020) | 68 (2019)

Sales by geographic markets

European Union
- 47% - 2020
- 32% - 2019

North America
- 26% - 2020
- 39% - 2019

Far East
- 17% - 2020
- 21% - 2019

Middle East and Africa
- 8% - 2020
- 7% - 2019

Others
- 2% - 2020
- 1% - 2019

N° of commercial offices

27 (2020) | 27 (2019)

2020 DEVELOPMENTS IN THE SECTOR AND TRENDS

The sector in 2020 was marked by the pandemic. Its rapid evolution, on a global scale, represents an unprecedented health crisis that is affecting the macroeconomic environment and the evolution of business, which has affected our initial plans for the 2020 financial year. The Group has been obliged to focus its efforts on managing this exceptionally complex situation that has arisen.

The COVID-19 crisis has had an impact on the business fabric, both in terms of production and turnover, as well as employment. This has accelerated and intensified certain transformations in the iron and steel sector that were already under way.

In the seamless steel pipe sector, overall seamless pipe production continued to fall during the 2020 financial year. Likewise, the barrel price of Brent crude oil has fallen sharply since the pandemic spread and global containment measures became widespread. **The WTI hit negative prices in April for the first time in history.**

TRANSFORMATIONS IN THE IRON AND STEEL SECTOR

Differential business model

Decarbonisation of the sector.

Circular production model.

Internationalisation: export and multi-locations.

Investment in R&D+I

Focus on short-term return investments.

Digitisation of the economic model.

Modernisation of the industry (technology, energy efficiency and international competitiveness.

Contingency plans and crisis management model

Teleworking, paradigm shift in client and supplier relationships.

Global value chain

Digitisation and efficiency in the supply chain.

Open and regular dialogue with stakeholders.

Regulations

Protectionist measures (carbon border adjustment).

Human Resources: labour flexibility and prioritisation of health and safety.

Taking into account all the above, the strategic context of the sector in 2020 was characterised by:

2020

Uncertainty and volatility

Global slowdown and reduction in trade and industrial activity.

Delays in the normal process of awarding and collecting payment for projects.

Disruptions in the global supply chain.

Trade war

Protectionist measures in the United States for local manufacturers that not expected to disappear in the short term.

US-China tensions are heightening, affecting global decision-making and global growth.

Overcapacity

Overcapacity in the sector, especially due to supply from Asian countries.

After the sector reached a milestone with 40% overcapacity in 2018/2019, which will increase in 2020/2021 (60-70%) due to the effects of the pandemic, it is expected to decrease from 2022 onwards.

Overcapacity

60%/70%
2020/2021

40%
2018/2019

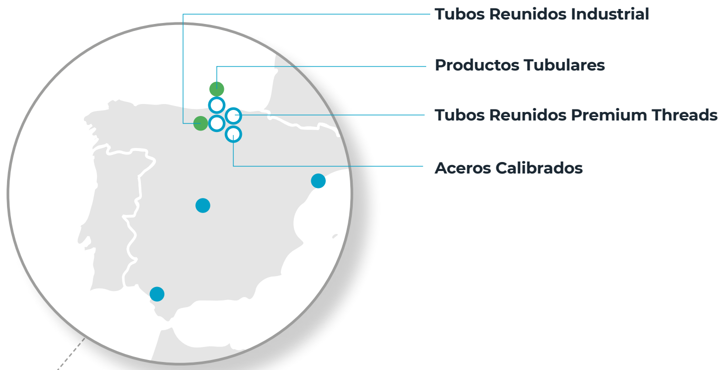
Thus, the Group's business context is far from normal, and this requires great caution. The overall economic framework is complex, and the continued restrictions in effect to contain the pandemic will increase the level of uncertainty about the normalisation process.

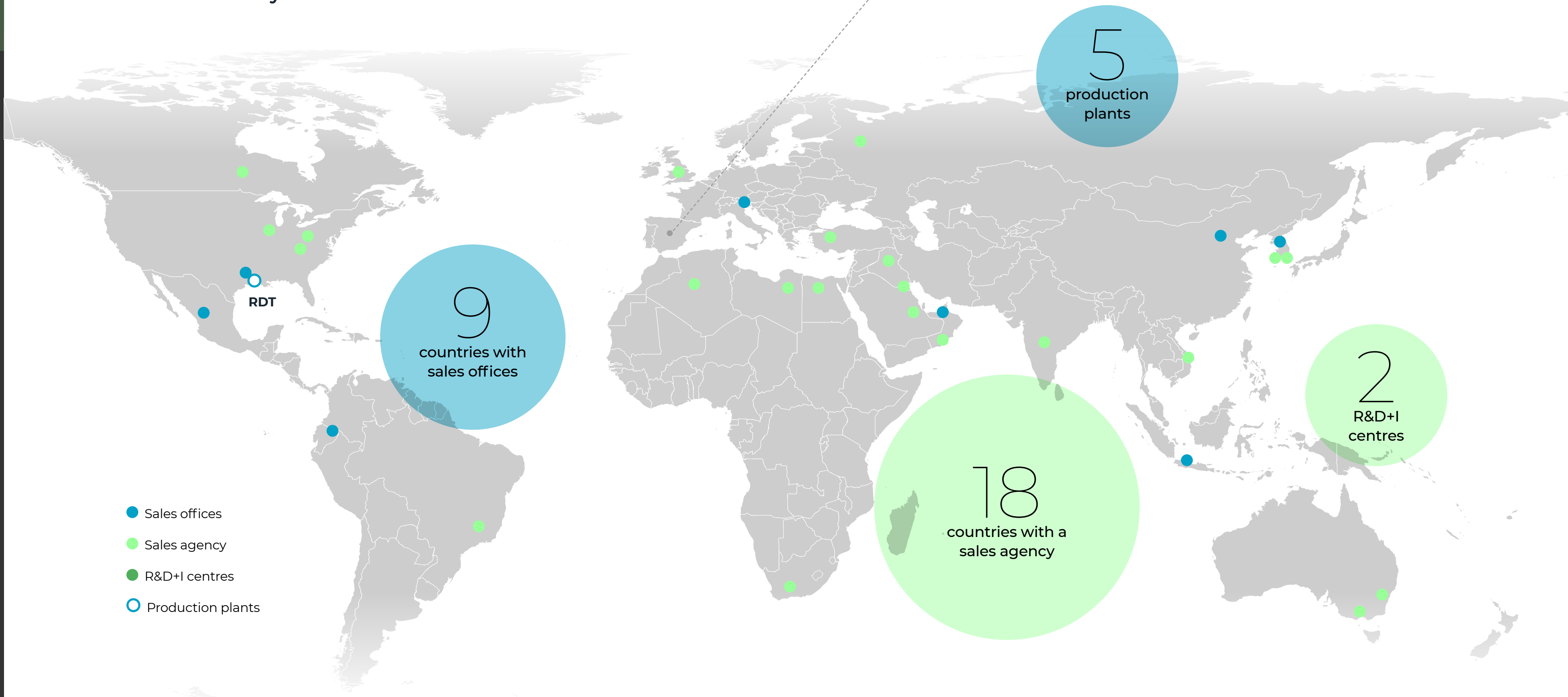
Conscious of this, the Group's Management is currently working on adapting the **Strategic Plan**. It will consist of two phases. A first phase based on **"Focus on cash"** and a second phase based on **"Focus on value"**.

TR GROUP AT PRESENT

TUBOS REUNIDOS GROUP IN THE WORLD

Today, our Group has a commercial presence in more than 60 countries. In recent years we have opened business offices to strengthen our growth in Asia, and in 2021 we will continue to pursue this strategy. Proof of this is that **in the first quarter of 2021, we will open a new branch in Malaysia.**





SIGNIFICANT SHAREHOLDERS

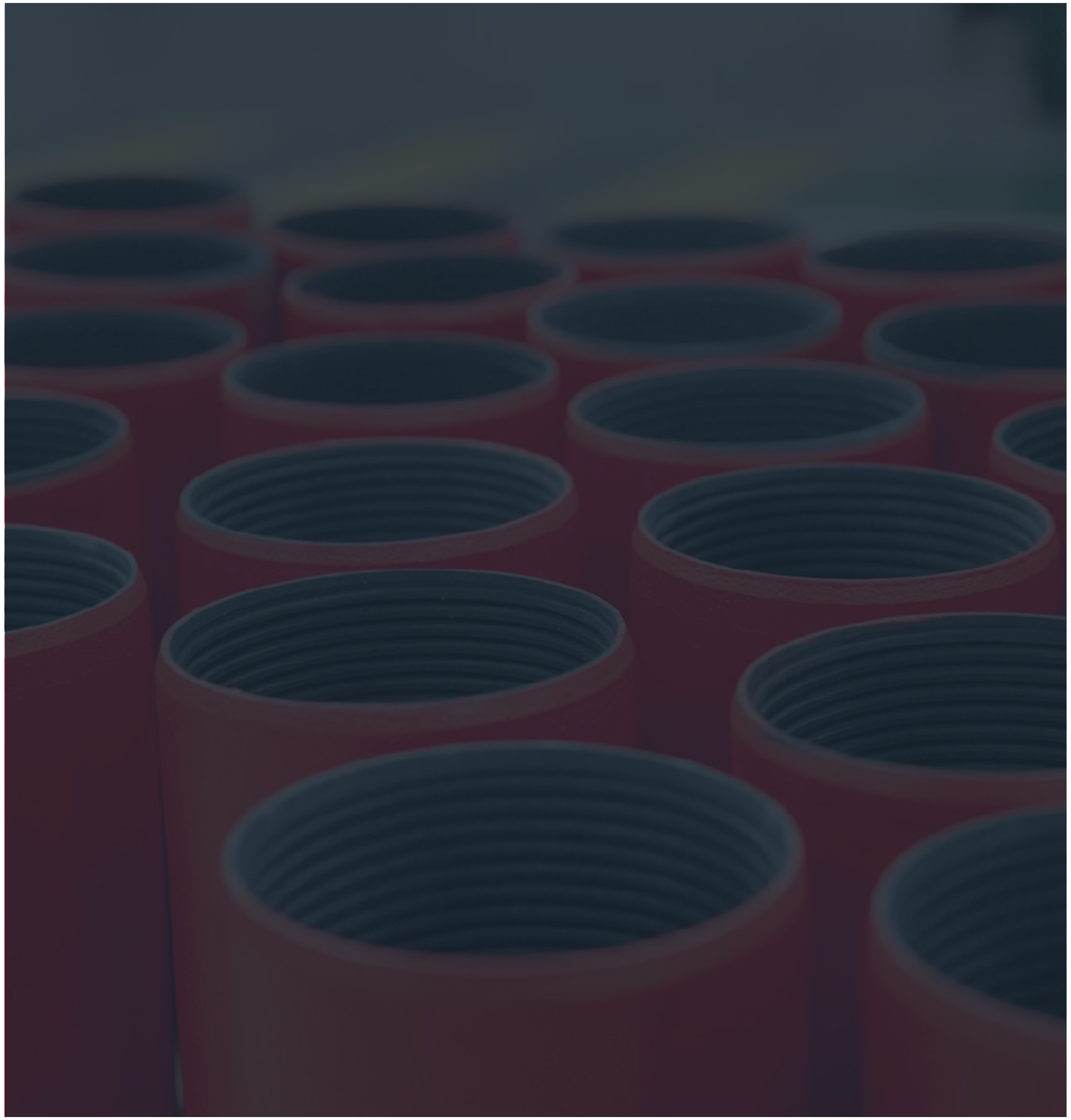
BBVA Group
14.87%

Zorrilla-Lequerica Puig family concerted action
10.22%

Mr Joaquín Gómez de Olea Mendaro
6.56%

Ms Carmen de Miguel Nart*
3.82%

Elguero, S.A.
3.33%



* Regarding the shareholder Ms Carmen de Miguel Nart, we must report that she died on 12 February 2021 and that as at the date of publication of this Statement of Non-Financial Information, her estate has not yet been divided up and adjudicated.

PAVING THE WAY FOR NEW SECTORS AND APPLICATIONS

The culture of flexibility and client orientation has always been very present within our Group. The business context of the oil and gas sector, which has historically been our core market, has been a turning point for our positioning. Following a process of strategic reflection on the positioning of the Tubos Reunidos Group in the market and the impact we wish to have on society, we have decided to focus our contribution on the energy sector and the generation of a more sustainable world, helping to transform the economy.

Wide range of products in diversified applications

OIL AND GAS

UPSTREAM/MIDSTREAM

OCTG (Oil Country Tubular Goods)

- Piping for drilling and production of oil and gas
- *Drill Pipe*
- OCTG connections with API threads. SemiPremium and Premium-JFE. BTX™ Casing
- Drill Pipe Wear Knot™. Accessories
- Proprietary steels
- Corrosion-, high pressure- and temperature-resistant materials

Conducciones

- Oil and gas transport
- SS onshore and offshore piping. HIC

REFINING, CHEMICALS AND PETROCHEMICALS

DOWNSTREAM

ELECTRICITY GENERATION

Process pipeline
Piping for equipment subject to high pressure and/or temperatures

- Refining, chemical and petrochemical plants
- Electricity generation plants (thermal, combined cycle, biomass, renewable, nuclear)
- Pipes for boilers, furnaces and heat exchangers
- Wide range of pipes with tailored dimensions and steels
- Special lengths up to 26 metres hot rolled and 28 metres cold drawn for renewable energies
- High-performance piping up to 26” OD for critical phases of the latest generation processes, in carbon steels, alloy steels, stainless steels and high nickel alloys

INDUSTRY

Mechanical pipes

- Industrial applications, automotive, heavy machinery, offshore wind, engineering, singular buildings, civil works, agricultural machinery, mining, lifting, hydraulics, printing, etc.
- Fine grain steels with special requirements, high mechanical characteristics and machinability requirements
- Special dimensions based on end client needs
- Leaders in tailored large diameters and heavy thicknesses

UPSTREAM
OCTG (OIL COUNTRY TUBULAR GOODS)

In this case, we manufacture pipes for the drilling and extraction of oil and gas. These are certified pipes, some of which are tailor-made for demanding environments, made of steels with differentiated alloys, with high chromium content, and resistant to high pressure, temperatures and high corrosion.

At Tubos Reunidos Group, we are licensees of several patents, highlighting our capacity not only to manufacture pipes, but also to connect them using premium (under JFE licence) or semi-premium (BTX thread) threads. It should be noted that at Tubos Reunidos Group, we are the developers and owners of the semi-premium BTX connection.

DOWNSTREAM, CHEMISTRY AND PETROCHEMICALS
PROCESS PIPELINES

We manufacture a wide range of tubes with customised dimensions and steels for high-pressure and high-temperature equipment (boilers, refineries, furnaces, heat exchangers etc.). Our production process allows us to manufacture special lengths of up to 26 meters hot rolled and 28 meters cold drawn. These are patented high-performance pipes with a large outer diameter up to 26” in carbon, alloy and stainless steels.

MIDSTREAM
LINEPIPE

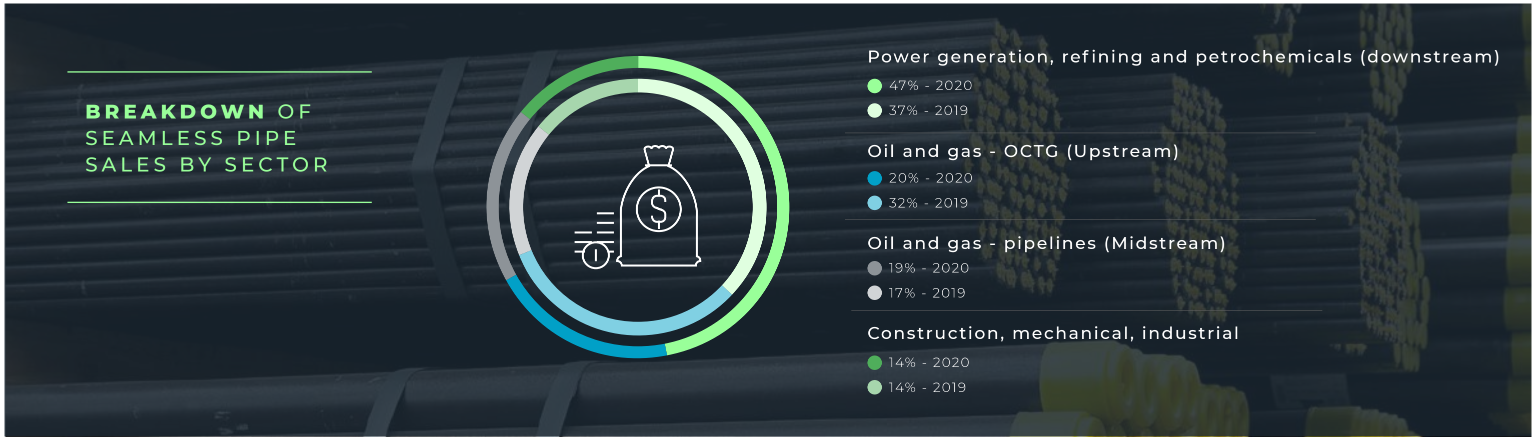
We manufacture pipes for the land and sea transport of oil and gas and in hydrocarbon processing plants. These are special corrosion-resistant pipes.

This is why the customisation of this type of product is essential based on the terrain and temperatures to which the pipe is subjected; our Group has great high flexibility in offering special grades according to the needs and specifications of the client.

INDUSTRIAL
MECHANICAL AND INDUSTRIAL PIPES AND PIPING

We produce pipes and piping for industrial and automotive applications, heavy machinery, off-road equipment, off-shore platforms and singular buildings. These are pipes and piping from 6 mm (1) to 660 mm in outer diameter that can be made in either standard grades or more complex S690, S770, S890 grades with high mechanical strength and a fine grain.

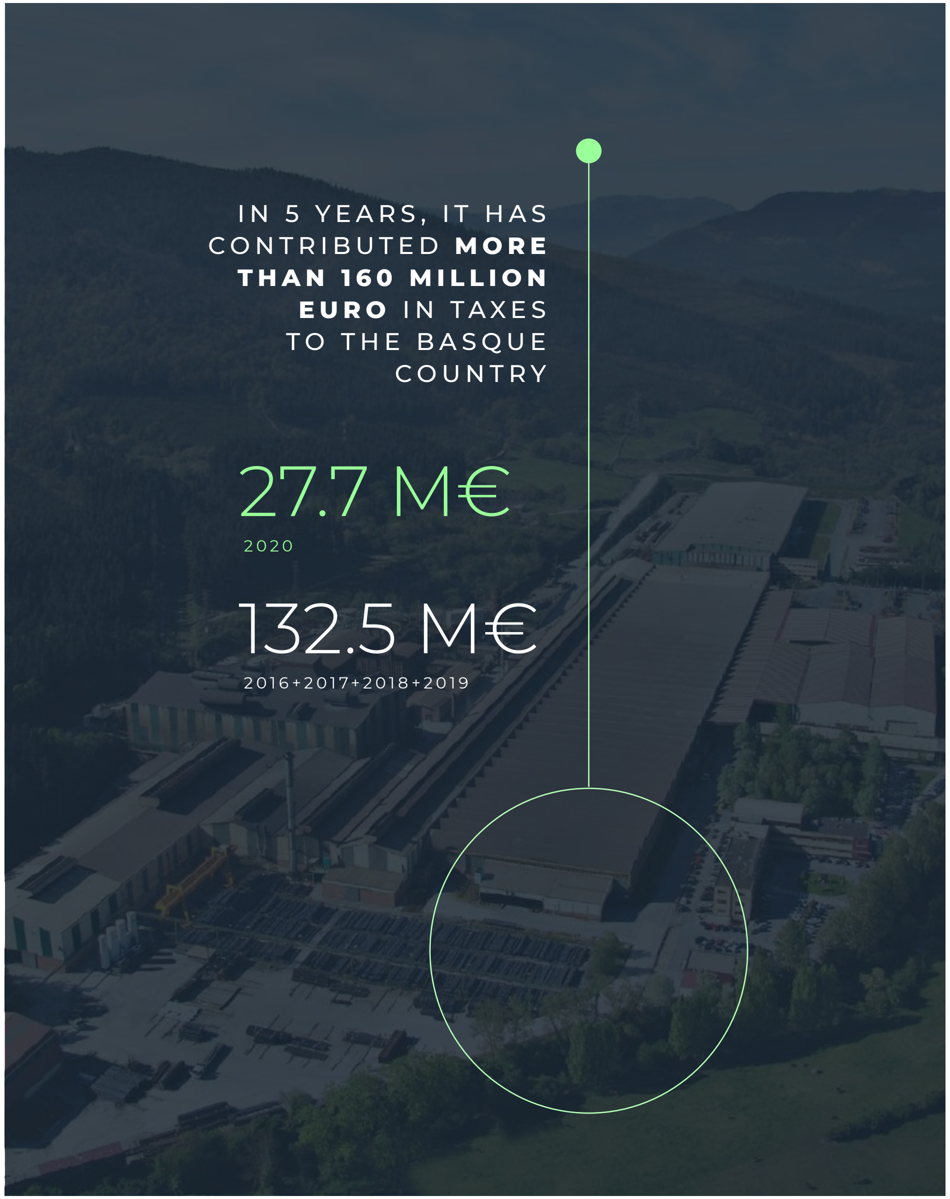
The materials and components for offshore wind mill platforms require higher quality, added-value grades with better mechanical properties for weldability, low temperatures and coatings



A GLOBAL COMPANY ROOTED IN THE BASQUE COUNTRY

Although most of our clients are in foreign countries, we remain committed to continue centralising our operations and main production activity in the Basque Country. Keeping our roots in the Basque Country is considered an advantage that gives our products a differential value, which is why we invest in attracting and retaining talent.

We are mindful of the direct and indirect impact of our presence on the local populations and territory. According to our internal calculations, our presence in both the Valley of Ayala and in Trapaga maintains some 7000 indirect jobs that otherwise might be lost. Some 12 million euro were collected by the Basque Public Administration through the payment of taxes in 2020, and more than 15.7 million euro in social security taxes were paid for human resources located in the Basque Country (13 million and 19.6 million euro, respectively, in financial year 2019).



KEEPING OUR HEADQUARTERS IN THE BASQUE COUNTRY

Through the strategic decision to maintain our headquarters and main production activity in the Basque Country, our Group carries out activities that contribute to the well-being and improvement of the local community, economically, socially and in terms of innovation.

This commitment translates into the creation and maintenance of direct employment through the hiring of local staff, as well as indirect employment through the contracting of products and services with local suppliers.

As regards direct employment, approximately 100% of workers were local in the 2020 financial year (95% in the 2019 financial year). Their general conditions are in line with the wage and labour relation policies that apply in Group companies.

We also contribute to the promotion of the territory's industrial transformation and competitiveness by collaborating, with differing levels of intensity and scope, with specific initiatives and actions that may affect the Basque economy.

100%

WORKERS' GENERAL CONDITIONS ARE IN LINE WITH THE WAGE AND LABOUR RELATION POLICIES THAT APPLY IN GROUP COMPANIES.

It should also be noted that we collaborate with other companies in the region to promote common projects and initiatives, and with various technology institutes and local training centres.

We participate in and promote different activities and partnerships that contribute to accelerating economic growth in a sustainable way.

Together with three other companies, we are the founders of the EIC - ENERGY ADVANCED ENGINEERING (EAE) Foundation, for the development of initiatives related to the energy sector, and we are promoting a public-private collaboration with the Provincial Council of Bizkaia and the Basque Government. The objective is to establish a pioneering development centre at the European level to boost the equipment and component value chain in order to support projects related to the energy transition in the Basque Country. The project is open to other local, state and international companies, development centres and training centres.

ASSOCIATION AND SPONSORSHIP ACTIONS

We continue to participate in the activities of economic entities with business or sectoral relevance. We also take an active part in the governing or management bodies of several innovation-oriented associations and knowledge centres.

MAIN ASSOCIATIONS

EUROPEAN STEEL TUBE ASSOCIATION (ESTA), holding the presidency of the hot-rolled seamless pipes division since 2018

American Petroleun Institute (API)

ASOCIACIÓN DE EXPORTADORES DE EQUIPOS Y SERVICIOS PARA LA MANIPULACIÓN DE FLUIDOS (FLUIDEX) [Spanish Association for Fluid Handling Solutions & Process Technologies]

SIDEREX [Spanish Association of Steelworks Exporters]

EIC ENERGY ADVANCED ENGINEERING FOUNDATION

UNIÓN DE EMPRESAS SIDERÚRGICAS (UNESID) [Union of Steelmaking Enterprises]

ASOCIACIÓN DE EMPRESAS CON GRAN CONSUMO DE ENERGÍA (AEGE) [Association of Energy-Intensive Companies]

SEA EMPRESARIOS ALAVESES (SEA) [Association of Alavesan Businesses]

FORO GESTIÓN Y FINANZAS [Management and Finance Forum]

FEDERACIÓN VIZCAINA DE EMPRESAS DEL METAL (FVEM) [Biscayan Federation of Metal Enterprises]

The Tubos Reunidos Group, through our participation in the Energy Advanced Engineering Foundation, has helped arrange for ARAMCO, a world leader in energy and chemicals, to lead a support programme for the Basque society to alleviate the effects of the coronavirus. This programme is part of its global response plan to COVID-19 and has been channelled through the Energy Advanced Engineering Foundation for the role we, as founding partners, play within its value chain.

More than 300,000 euro have been raised and have been earmarked for various social and welfare initiatives in health, food and education.

In the health field, we have organised the donation of masks and other personal protective equipment to nursing homes, outpatient clinics or the general population to ensure access to this element of protection against the spread of the virus. Funding has also been provided for a project to be developed by the Biocruces Bizkaia Health Research Institute to improve knowledge and prevention against COVID-19 in nursing homes, analysing how the microbiota can play an important role in diagnosis, prognosis and treatment. Finally in this area, we have also funded an innovative project developed by Eversens based on the measurement of airway inflammation caused by COVID-19 through the measurement of exhaled nitric oxide (eNO).

WE SUPPORT THE WELL-BEING OF LOCAL COMMUNITIES BY COLLABORATING ON INITIATIVES THAT CONTRIBUTE TO THEIR DEVELOPMENT AND REDUCE THE IMPACT OF COVID-19

In addition, this programme includes aid for groups in a situation of economic vulnerability generated by the coronavirus. This includes the donation of more than 30,000 euro to food banks in Bizkaia, Álava and Guipúzcoa, which have seen the demand for essential products rise by 30% during the lockdown. This amount is estimated to meet the food needs of about 50 people for a year. In addition to this initiative are those organised in the Ayala Valley with the donation of daily meals to disadvantaged families or by supporting the "Cruz Roja Responde" programme to meet the basic needs of people at risk of poverty and exclusion. These include homeless people. Thanks to this global plan, some 20 young people who, during the pandemic, were housed in sports facilities and shelters in Bilbao can be relocated to the Begoñetxe de Cáritas residence to start a comprehensive educational and employment support programme.

+30

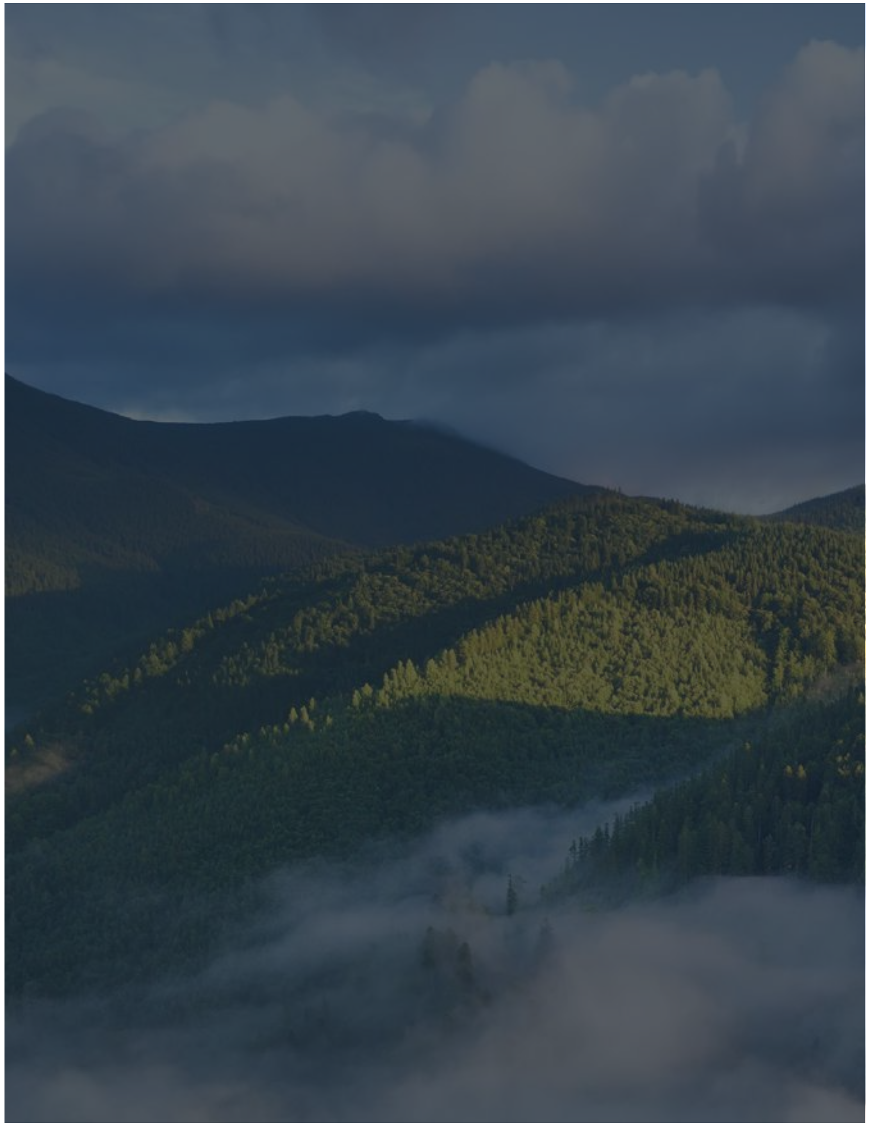
THOUSAND €
DONATED TO THE FOOD BANKS OF BIZKAIA, ÁLAVA AND GIPÚZCOA

+300

THOUSAND €
RAISED AND EARMARKED FOR VARIOUS SOCIAL AND WELFARE INITIATIVES IN HEALTH, FOOD AND EDUCATION

OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

Our strategy focuses on addressing the complexity of the challenges defined by the Sustainable Development Goals with innovative responses and positive impacts. In 2020, we continued to deepen our commitment to the United Nations Sustainable Development Goals (SDGs) and launched an SDG promotion plan that seeks to integrate commitment, awareness and action in favour of the fulfilment of the global agenda into the group's culture.



ENVIRONMENT | SOCIAL | GOVERNANCE

SUSTAINABLE DEVELOPMENT GOALS

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

- Incorporate climate change into policies and strategies
- Improve environmental education and awareness

GLOBAL VALUE CHAIN

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

- Waste prevention, reduction, recycling and reuse.
- Achieve efficient use of natural resources

GLOBAL VALUE CHAIN

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote sustainable industrialization and foster innovation

- Promote an inclusive and sustainable industry
- Development of technology, research and innovation

CULTURE OF INNOVATION AND INDUSTRIAL EXCELLENCE

TUBOS REUNIDOS GROUP

17 PARTNERSHIPS FOR THE GOALS

Strengthen means of implementation and revitalise the global partnership for sustainable development

- Improve the global partnership for sustainable development

COMMITTED TO OUR STAKEHOLDERS

CULTURE, INNOVATION AND INDUSTRIAL EXCELLENCE

3 GOOD HEALTH AND WELL-BEING

The health and well-being of talent are the basis for professional development; creating healthy workspaces increases productivity and reduces absenteeism

THE PEOPLE IN THE TUBOS REUNIDOS GROUP

FOCUSING EFFORTS ON PROMOTING A SAFE WORKING ENVIRONMENT

8 DECENT WORK AND ECONOMIC GROWTH

Promote inclusive and sustainable economic growth, employment and decent work for all

- Increase productivity through diversification, technology and innovation
- Improving efficient and environmentally friendly production and consumption
- Achieve full employment and decent work
- Protect labour rights and safe work

TUBOS REUNIDOS GROUP

THE PEOPLE IN TUBOS REUNIDOS GROUP

03

COMMITTED TO **OUR STAKEHOLDERS**

MAIN STAKEHOLDERS AND COMMUNICATION CHANNELS

At the Tubos Reunidos Group, we are certain that the only way to succeed and thrive is to build lasting relationships with all our stakeholders, as well as the communities where we operate and the industry to which we belong.

Stakeholders	Goals	Communication channels
Human Capital and Company Committees	• Offer decent work. • Provide a healthy and safe working environment. • Facilitate collective bargaining. • Promote career development in the Group.	• Corporate website • Intranet • Employee portal • Physical mailboxes in lockers • By phone • Email • Regular meetings with direct supervisors • Board of Trustees • Physical notice boards
Shareholders and Investors	• Generate shareholder value.	• Corporate website • Information provided to the CNMV • Investor office • General Shareholders' Meeting

Stakeholders	Goals	Communication channels
Clients	• Ensure product quality and safety. • Promote client satisfaction. • Work together to deliver more value-added solutions tailored to clients' needs.	• Corporate website • By phone • Email • Trade fairs (Digipek, Dusseldorf, Adipek) • Participation in associations • Satisfaction surveys • Regular visits • Individual meetings
Financial creditors	• Obtain the necessary funding to meet the investment needs of the strategic plan.	• Corporate website • By phone • Regular meetings • Regular reports
Suppliers	• Promote the development of efficient technologies and the use of resources in a sustainable manner.	• Corporate website • Supplier portal • By phone • Participation in associations • Email • Trade fairs
Regulatory bodies and public administrations	• To provide a transparent and comprehensive response to the necessary requirements.	• Corporate website • Online portal for reporting environmental information (IKS) • Platform for environmental monitoring plan • Regulatory body questionnaires • Regular meetings
Local Communities	• Foster the development of the regions where we operate.	• Corporate website • Social encounters
Partnerships	• Improve market knowledge and design innovative products through partnerships.	• Corporate website • Regular meetings

MATERIALITY ASSESSMENT

Our responsible management model is based on the identification of potential sustainability impacts and risks that may arise from our activities, as well as the development and implementation of various commitments, policies, management procedures and mitigation measures to act on identified impacts.

To this end, conducting a materiality analysis is essential to understand stakeholder expectations, plan an appropriate response and make commitments not only on economic issues, but also on environmental, social and governance issues

This report is intended to provide information on the issues that we consider relevant to the company and its stakeholders. The first analysis was carried out in 2017, and since then, we have been professionalising the methodology and broadening the scope of consultation. During the 2020 financial year, in order to update the materiality analysis and further clarify the relevant issues, we conducted the analysis in 2 phases:

1. IDENTIFICATION OF MATERIAL ASPECTS OF SUSTAINABILITY

Its objective was to determine the most relevant issues for the Tubos Reunidos Group and our stakeholders in terms of sustainability, the latter being understood as all environmental, social and governance (ESG) issues.

External analysis

we have analysed the requirements demanded by our main clients and suppliers, the best practices in the sector, the hot topics in the media, as well as an analysis of the regulations and trends in ESG aspects that apply and/or could apply to our business, at the regional, state and European level. Finally, a review of the Sustainable Development Goals (SDGs) and reporting framework requirements, such as GRI, has been carried out.

Internal analysis

the main objectives of the new Strategic Plan, the Code of Ethical Conduct, the Risk Map, the Criminal Risk Prevention System, the Integrated Health and Safety, Environment and Quality System, as well as the Group's various policies and Audit Reports have been evaluated.

In addition, 22 meetings have been held in which the heads of the different areas and the Management Team have participated, with the aim of identifying potential material issues for the Group.

AS A RESULT, **25 MATERIAL ISSUES HAVE BEEN IDENTIFIED AND SCALED IN ENVIRONMENTAL, SOCIAL OR GOVERNANCE** MATTERS WHICH HAVE SERVED AS THE BASIS FOR THE SECOND PHASE OF THE PROCESS.

2. PRIORITISATION OF RELEVANT ISSUES

In order to prioritise the objective results, externally we counted and weighted the number of times that the relevant topics were published for the stakeholders, while internally we organised individual work sessions with the members of the Management Team, as well as with the people responsible for the key areas, with the presence of both countries in which our production plants are located. Specifically, 17 individual working sessions have been held. These meetings have discussed and highlighted the operational and reputational importance of each of the relevant issues identified above.

Once the analysis has been completed and quantified, the results were consolidated and weighted. The analysis has resulted in a matrix where one axis represents internal importance and the other axis represents external importance.

OUTCOME OF THE MATERIALITY ASSESSMENT

This work has generated knowledge of what the most relevant issues are for both the stakeholders and for the Tubos Reunidos Group itself. All of these issues influence our ability to create value, with a special focus on the most highly rated:

GOVERNANCE

Product innovation
Culture of innovation and industrial excellence

Risk management
Good Corporate Governance | Risk Management

Ethics and Compliance
Good Corporate Governance | Ethics and Compliance

ENVIRONMENTAL

Environmental management system
Global value chain | Efficient and sustainable production

Sustainable use of resources
Global value chain

Circular Economy
Global value chain | Efficient and sustainable production

Greenhouse gas emissions and climate change
Global value chain
Joining forces to face the climate change challenge

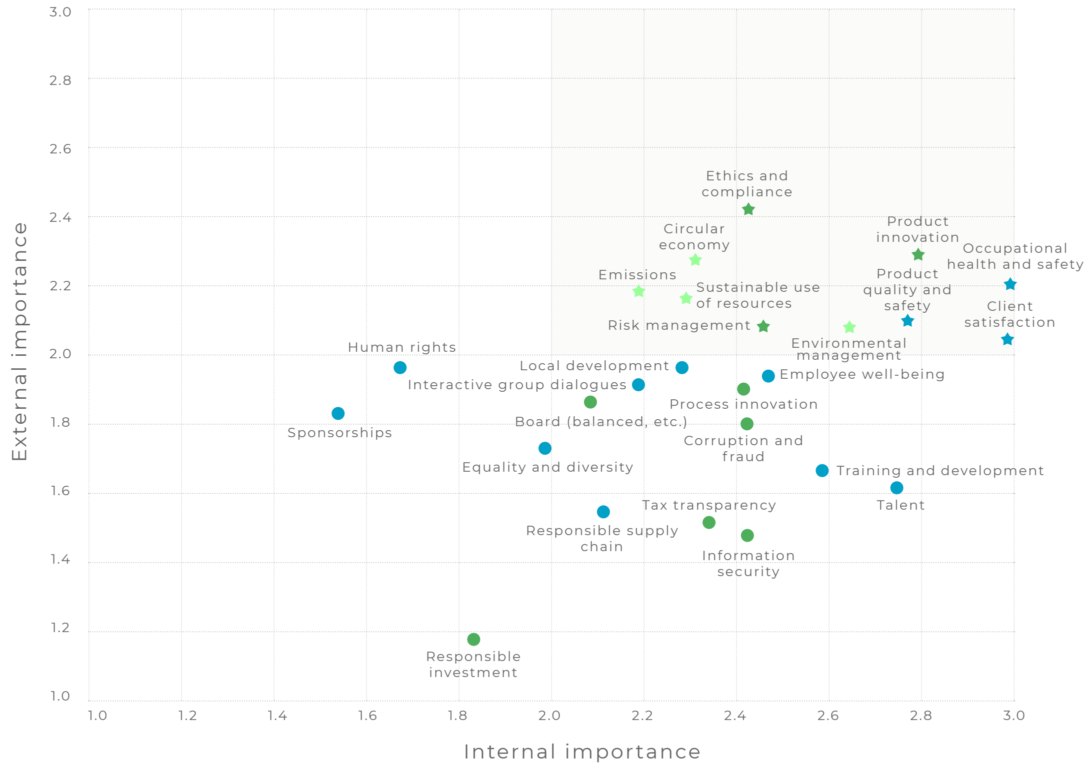
SOCIAL

Occupational health and safety
Focusing efforts on promoting a safe working environment

Client satisfaction
Global value chain
End product. Extensive features and fits the needs of the client & Building stable and trusting relationships

Product quality and safety
Global value chain
Building stable and trusting relationships & RDT quality focus (USA)

Internal and external importance by Legend and Areas



Based on the identification of relevant issues in terms of sustainability, **measures of evaluation, prevention, mitigation and control have been developed or are being developed** and will be addressed throughout the report.

With a firm commitment to align the operations of the Tubos Reunidos Group, the ESG objectives are integrated into the Company's **Strategic Plan.**

The report provides a balanced and objective view of issues that, by their nature, have significantly affected the Group.

04

THE PEOPLE IN THE TUBOS REUNIDOS GROUP

OUR TALENT

SDG 3
HEALTH AND WELL-BEING

SDG 8
DECENT WORK AND ECONOMIC GROWTH

"IN ORDER TO ENTHUSIASTICALLY AND SUCCESSFULLY ADDRESS THE CHALLENGES WE FACE, IT IS A PRIORITY TO COUNT ON THE PROFESSIONAL AND HUMAN TALENT OF OUR TEAM. THEREFORE, ONE OF OUR PRIORITIES IS THE TRAINING AND DEVELOPMENT OF OUR TALENT"

FRANCISCO IRAZUSTA
CHAIRMAN

Our human capital is a key component that contributes its good work and know-how to the generation of value in the Group. Hence, attracting, developing and retaining existing talent are the main strategic lines of human capital management at Tubos Reunidos Group, with the purpose of having the appropriate profiles for the deployment of our activity that enable us to achieve the growth and development objectives set out.

In the 2020 financial year, we had more than 1400 people in the Group. The iron and steel sector has historically been characterised by a strong male presence. Despite this, our firm commitment to equal opportunities is resulting in an increase in the presence of women even in the current pandemic situation.

Committed to talent

At the Tubos Reunidos Group, we are aware of the importance of maintaining a stable working environment, and of the direct impact that a good working climate has on the organisation's results. Because of this commitment, we strive to ensure that people in the group have a highly competitive salary, with a strong commitment to permanent employment.

+5
WOMEN HAVE ENTERED OUR **HUMAN CAPITAL.**

98%
OF PEOPLE HAD A **PERMANENT CONTRACT** AT THE CLOSE OF 2020.

€ 43,933
AVERAGE REMUNERATION.

MAIN FIGURES (2020 AND 2019)

Direct employment

Local human capital

2020 — 100%

2019 — 95%

AS A RESULT OF THE PANDEMIC AFFECTING US ALL, WE HAVE HAD TO TEMPORARILY MAKE A PART OF OUR TEAM REDUNDANT, WHICH HAS MEANT THAT THE AVERAGE NUMBER OF EMPLOYEES, TAKING INTO ACCOUNT THE ACTUAL HOURS WORKED, IS LOWER THAN THE TEAM WE HAVE. SPECIFICALLY, WE HAVE MADE SEVEN TEMPORARY REDUNDANCIES IN FOUR OF OUR PLANTS, AFFECTING MORE THAN 80% OF THE WORKFORCE, WITH THE AIM OF BEING ABLE TO PRESERVE JOBS IN SPITE OF THE HEALTH CRISIS.

Average number of employees in the year

2020

1,427 Open employment relationship with *
- 1,303 - Men
- 124 - Women

1,186 Average workforce **
- 1,071 - Men
- 115 - Women

2019

1,431 Open employment relationship with*
- 1,309 - Men
- 122 - Women

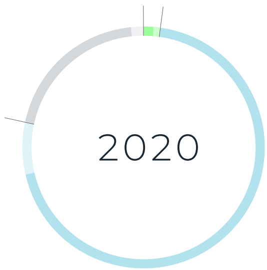
1,343 Average workforce **
- 1,224 - Men
- 119- Women

* We have calculated the average number of employees by taking into account those with whom we have an open employment relationship, imputing the normal working hours that they have in their contract, including the average number of temporary workers for the year.

** We have calculated the average number of employees by taking into account the actual time worked by employees in the year, including the actual time worked those who have been subject to temporary redundancies.

Employees at the end of the year

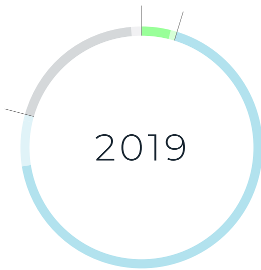
Breakdown by age and gender



40 Up to 30 years old
- 29 - Men
- 11 - Women

974 Between 30 and 50
- 885 - Men
- 89 - Women

276 Over 50 years old
- 256 - Men
- 20 - Women



64 Up to 30 years old
- 52 - Men
- 12 - Women

1,053 Between 30 and 50
- 959 - Men
- 94 - Women

266 Over 50 years old
- 248 - Men
- 18 - Women

75%

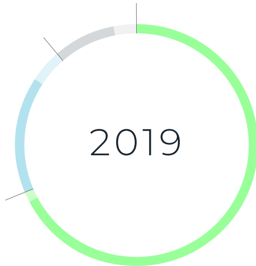
OF OUR HUMAN CAPITAL IS BETWEEN 30 AND 50 YEARS OLD, WITH EXTENSIVE EXPERIENCE IN PRODUCTION PROCESSES.

Breakdown by professional category and gender*

877 Blue Collar
- 861 - Men
- 16 - Women

261 White Collar
- 201 - Men
- 60 - Women

152 Non-union
- 108 - Men
- 44 - Women



952 Blue Collar
- 931 - Men
- 21 - Women

275 White Collar
- 213 - Men
- 62 - Women

156 Non-union
- 115 - Men
- 41 - Women

THE PRESENCE OF WOMEN IN THE “NON-UNION” PROFESSIONAL CATEGORY HAS INCREASED.

Breakdown by country

2020
- 1,274 - Spain
- 16 - United States

2019
- 1,294 - Spain
- 89 - United States

The decrease in our team has been caused mainly by the reduction of personnel in the US since, due to the pandemic, we have had to reduce our staff by 73 people in that country, mainly due to the decrease at the RDT plant.

* The professional categories used are divided into Blue Collar (all those persons who perform direct labour, whose work is entirely linked to production), White Collar (administrative personnel and middle management in the workshop), non-union (personnel with responsibility over others, facilities or processes), although for the management of persons they are broken down into others that each Company has established by collective agreement.

Breakdown by contract type and country

1,274 **Spain**
- 1,243 - Permanent contract
- 31 - Contrato temporal

16 **United States**
- 16 - Permanent contract
- 0 - Temporary contract

1,294 **Spain**
- 1,240 - Permanent contract
- 54 - Contrato temporal

89 **United States**
- 89 - Permanent contract
- 0 - Temporary contract

98%

A PERMANENT CONTRACT IS A PRIORITY IN ALL THE COUNTRIES IN WHICH WE OPERATE. THEREFORE, 98% OF OUR HUMAN CAPITAL HAD A PERMANENT CONTRACT IN 2020.

Despite the pandemic situation, the percentage of our workforce with a permanent contract has increased from the previous year.

Breakdown by contract type and gender

1,279 **Full Time**
- 1,164 - Men
- 115 - Women

11 **Part Time**
- 6 - Men
- 5 - Women

1,365 **Full Time**
- 1,247 - Men
- 118 - Women

18 **Part Time**
- 12 - Men
- 6 - Women

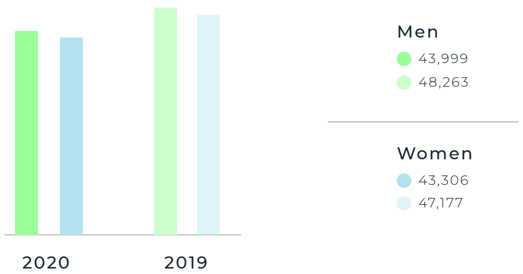
99%

OF OUR HUMAN CAPITAL IS EMPLOYED ON FULL-TIME CONTRACTS.

Thanks to the balance and flexibility measures we have in place, our employees are able to balance their work and personal life without having to shift to part-time.

Remuneration*

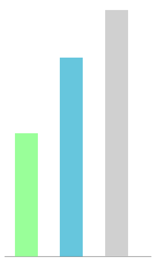
Average remuneration by gender (in euro)



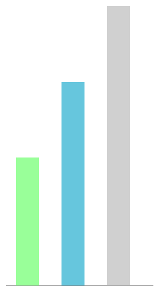
The total average remuneration has decreased in both genders due to fewer hours worked, which has led to fewer bonuses, down from 48,165 euro in 2019 to 43,933 euro in 2020.

THE SALARY OF THE TUBOS REUNIDOS GROUP IS HIGH COMPARED TO THE AVERAGE OF OTHER COMPANIES IN THE SECTOR AND, IN ALL CASES, WELL ABOVE THE MINIMUM WAGE.

Average remuneration by age (in euro)



26,294 Up to 30 years old
42,699 Between 30 and 50
51,679 Over 50 years old

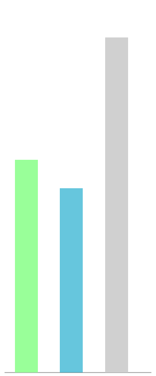


27,196 Up to 30 years old
43,233 Between 30 and 50
57,508 Over 50 years old

OLDER EMPLOYEES ARE PAID MORE BECAUSE THEY HAVE ACQUIRED HIGHER LEVELS OF RESPONSIBILITY IN THE ORGANISATION.

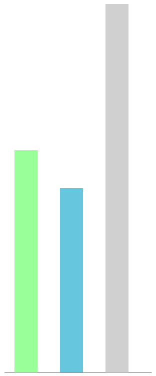
* For the calculation of the average remuneration, the total actual payroll for the corresponding year, including base salaries, seniority and other bonuses (including relief and night work), has been divided by the average number of employees, with the actual hours worked being imputed.

Average remuneration by professional category (in euro)



2020

45,548 White collar
38,929 Blue collar
70,698 Non-union



2019

47,306 White collar
39,200 Blue collar
78,367 Non-union

THE AVERAGE REMUNERATION OF NON-UNION PERSONNEL HAS FALLEN THE MOST FROM THE PREVIOUS YEAR, AS VARIABLE INCENTIVES HAVE BEEN REDUCED.

Wage gap *

The reason the calculation of the wage gap is positive is that, first, the existence of a percentage of wages that is linked to work bonuses, such as relief, which are mostly collected by men and, second, seniority, which is greater in the group of men, due to being a historically masculine sector.

If we calculate the wage gap by isolating these bonuses and seniority, i.e. taking into account only the base salary, women's average pay is higher than men's, with a negative wage gap (6%) in 2020 and 2019. This is due to the fact that on average, women hold more senior positions in organisations than men.

1.58%
2020

2.25%
2019

* The wage gap has been calculated according to the INE formula. Wage gap = (Average male wages – Average female wages)/Average male wages x 100. It includes the total payroll, including the base salary as well as all associated bonuses and variables.

REMUNERATION IS DETERMINED BY JOB CATEGORY (POST/FUNCTION/TASK), REGARDLESS OF GENDER OR ANY OTHER REASON, WHICH PREVENTS WAGE DISCRIMINATION.

Indirect employment

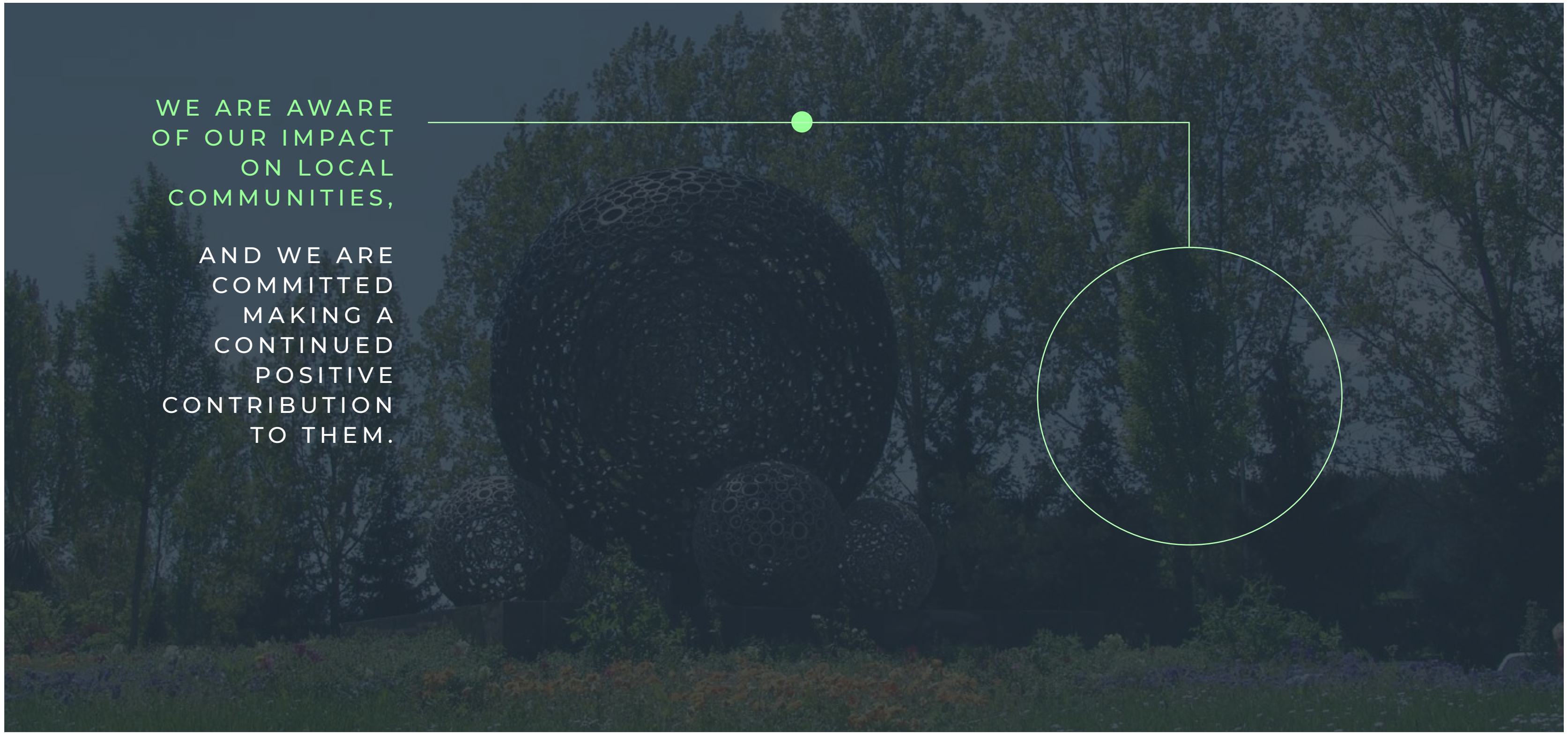
Suppliers and subcontractors
Employment

7,000

Estimated investment in local restaurants
Million euro

1.169

2020



WELL-BEING ORIENTED

Our people management model at the Tubos Reunidos Group is structured through different labour policies and procedures established at both the individual company and Group level. The combination of the two scopes allows us to combine the working culture of each member company, while sharing the commitment, motivation and vision at the Group level.

Within the Human Capital area, we have different policies for the comprehensive management of people in the Tubos Reunidos Group:

- Training policy
- Training plans
- Performance evaluation plan
- Internal communication plan
- New hire welcome plan

At the Tubos Reunidos Group, we aim to offer stable, quality employment to the people in the organisation, with a constant concern for improving their well-being and promoting a good working environment. We do so by promoting continuous dialogue among all members of the organisation, and trying to ensure that people can balance their professional, family and personal lives in the best possible way, always with optimal health and safety conditions and equal opportunities.

AT THE TUBOS REUNIDOS GROUP, WE AIM TO OFFER STABLE, QUALITY EMPLOYMENT TO THE PEOPLE IN THE ORGANISATION.

Initiatives to promote stability and well-being

In order to promote work-life balance, our Group includes various actions to promote stability:

- Schedules and timetables with the possibility of flexible start and end times during the day shift.
- Possibility of taking a leave of absence with job reservation to care for sick family members.
- Paid leave in excess of that established by the Workers' Statute to address different family circumstances.
- Leave for medical accompaniment of minor children or disabled family members dependent on the employee.
- Availability of two calendar days to accompany children with functional diversity to medical appointments.
- Promotion of women's employment and equal opportunities.
- Support for financing the studies of the children of employees.

AT TUBOS REUNIDOS, TUBOS REUNIDOS INDUSTRIAL AND PRODUCTOS TUBULARES WE HAVE A DEFINED BENEFIT PLAN AND OTHER RETIREMENT PLANS,

WHICH ARE FINANCED THROUGH PAYMENTS TO EXTERNAL VOLUNTARY SOCIAL WELFARE ENTITIES (ENTIDADES DE PREVISIÓN SOCIAL VOLUNTARIA, OR EPSV).

Contributions and provisions for pensions
Thousand euros

2020	2019
1,698	1,812

Number of voluntary members

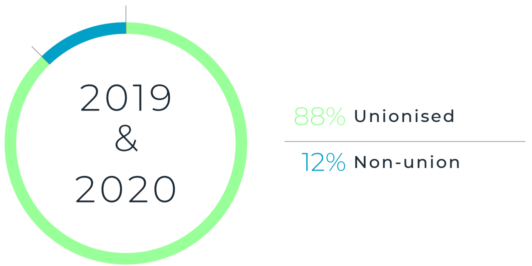
2020	2019
1,237	1,248

Collective bargaining agreements

At the Tubos Reunidos Group, we take care of our employees by ensuring their safety and stability, providing them with a number of social benefits that always match the collective bargaining agreements and regulations of each company and their standards. Each of the Group's companies maintains its own features in relation to collective bargaining agreements.

- **Tubos Reunidos:** individual agreements with its workforce.
- **Tubos Reunidos Industrial and Productos Tubulares:** own collective agreements, with advantageous conditions above those of the sector.
- **Tubos Reunidos Premium Threads y Aceros Calibrados:** agreements linked to the collective bargaining agreements for the metal sector in Álava and Navarre, respectively, incorporating improvements to them.
- **Tubos Reunidos Services:** agreements linked to trade agreements in the metal sector of the provinces where their work centres are located.
- **Tubos Reunidos América y RDT:** application of US labour legislation.

Percentage of employees covered by collective bargaining agreements in Spain



FLEXIBILITY AND WORK-LIFE BALANCE

At the Tubos Reunidos Group, we have made a clear commitment to promote and encourage work-life balance during the COVID-19 pandemic. Therefore, our goal has been to facilitate work-life balance for people who need to spend more time caring for family members as a result of the pandemic.

The main measures include the possibility for employees to request to adapt and/or reduce their working hours when, as a direct consequence of the coronavirus, their presence is necessary to provide care due to reasons of age, illness or disability.

To make this possible, our Human Capital teams have worked hard during the first few months of the pandemic to adjust shift logistics, start and end times, and working hours, among others. All this is aimed at facilitating the work-life balance of those who need it in these particularly difficult times.

In addition, and in accordance with current legislation, all employees who have requested paternity or maternity leave have been given the opportunity to adapt said leave to the most convenient dates according to their preferences, in order to reconcile the leave with their employment. The same criteria have been applied to employees who have requested permission for breastfeeding breaks.

203

EMPLOYEES HAVE A MOBILE PHONE (178 IN 2019).

105

EMPLOYEES HAVE A LAPTOP FOR INDIVIDUAL USE (70 IN 2019.

Employees' right to disconnect

In relation to disconnection from work, the number of employees who have devices (phone, tablet, laptop) belonging to the company by which they could be located outside working hours is low.

Given the nature of our business, and the diversity of plants and countries in which we operate, no specific measures have been put in place. We consider that disconnection from work is sufficiently guaranteed, always bearing in mind that if this situation were to change, we would carry out a study on the risks that might exist.

Absenteeism*

Percentage of hours

14.96%
317,307 hours

2020

11.21%
252,844 hours

2019

Main reasons

- 62 % - Common illness
- 12 % - Work accident
- 5 % - Paid leave
- 2 % - Conflict
- 19 % - Other causes

THE INCREASE IN ABSENTEEISM HOURS WAS DUE TO THE PANDEMIC, WITH 6.4% OF THE HOURS LOST BEING DIRECTLY ASSOCIATED WITH THE PANDEMIC.

* The hours associated with trade union activity have not been taken into account as absentee hours.

HIGHLIGHTS OF 2020

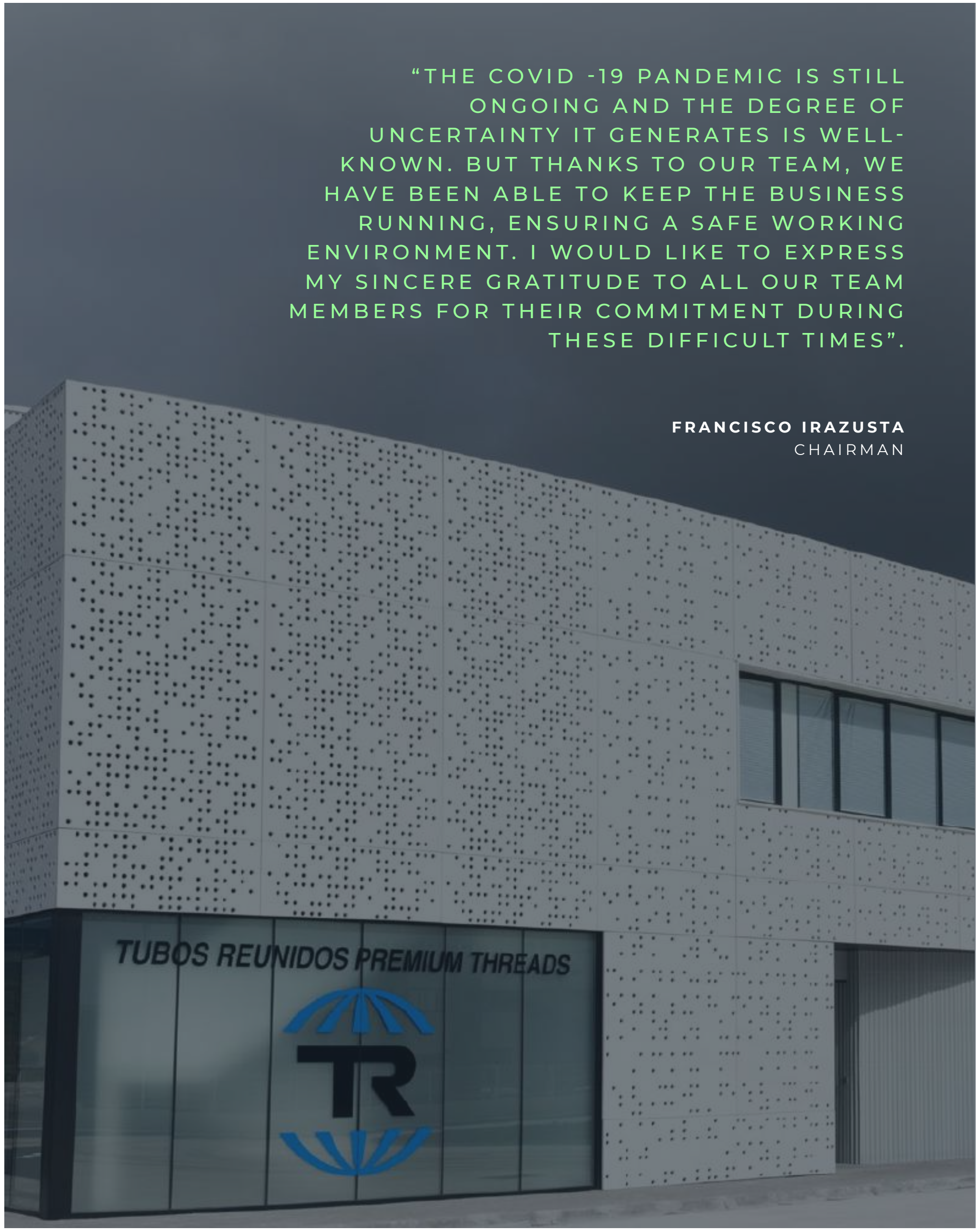
Teleworking

179

PEOPLE HAVE ASSUMED TELEWORKING.

52

PEOPLE HAVE TAKEN PART IN THE “MECUIDA” PLAN, ADAPTING THEIR WORKING DAY TO ACHIEVE A WORK-LIFE BALANCE.



"THE COVID -19 PANDEMIC IS STILL ONGOING AND THE DEGREE OF UNCERTAINTY IT GENERATES IS WELL-KNOWN. BUT THANKS TO OUR TEAM, WE HAVE BEEN ABLE TO KEEP THE BUSINESS RUNNING, ENSURING A SAFE WORKING ENVIRONMENT. I WOULD LIKE TO EXPRESS MY SINCERE GRATITUDE TO ALL OUR TEAM MEMBERS FOR THEIR COMMITMENT DURING THESE DIFFICULT TIMES".

FRANCISCO IRAZUSTA
CHAIRMAN

RESPONSIVENESS TO COVID-19

The year 2020 was marked by the profound uncertainty associated with COVID-19, and the possible effects that the pandemic could have on the day-to-day lives of the employees of Tubos Reunidos Group.

All these impacts have posed a special challenge when it comes to managing the different areas that make up the Human Capital in the Group's production centres.

Our teams have worked to adapt their workplaces and daily operations to the constant legislative changes and restrictions implemented by the authorities. A number of protocols have been updated to increase health and safety measures, and a teleworking protocol has been created.

Collaboration with Company Committees and other areas has been essential to promote changes with the required responsiveness. As a result, the following can be highlighted:

- Adjustment of working hours for direct staff with the closure of the restaurants.
- Replacement of the morning break in order to extend arrival and departure times to avoid bottlenecks.
- Promotion of telework for indirect staff.

TALENT DEVELOPMENT

At the Tubos Reunidos Group, we believe that it is vital for employee motivation to offer a training plan that meets their needs and professional objectives. Training must be a fundamental pillar to cultivate the knowledge and expertise of our organisation, with a direct impact on our activities, products and services.

We maintain an ongoing effort to improve talent and skills from the moment of hiring, promoting access to young talent with welcome plans that facilitate the integration and adaptation of new recruits to the company, which include information about the Group's, together with environmental, safety, health and quality foundations.

In the area of Human Capital, we have **training policies for each Group Company**. In addition, we develop and update our Training Plans on an annual basis, which aim to train 100% of the Group's employees based on the current and future needs of each position. Our Policies include an annual procedure for the identification of training/awareness needs, which is the responsibility of the Department Heads. In turn, these needs are approved by the management of each Area on the basis of the personnel files for which they are responsible and their respective profiles.

In line with our commitment to product quality and the promotion of a safe working environment, we have implemented specific procedures for the Quality and Environment departments to submit their proposals for the Annual Training/Awareness Plan, each in their respective areas, according to the needs they have detected and that are approved by the Human Capital area.

Solutions for in-person work

Training for most of our staff with direct roles in the production process, has to be face-to-face, because it involves demonstrations and practical activities for specialisations and the safe use of specialised machinery. As a result of the impact of COVID-19, many of the budgeted training activities have had to be postponed until the relevant hygiene, distance and safety requirements have been met.

Our teams in charge of coordinating training have worked to find solutions to continue this training, reaching some agreements:

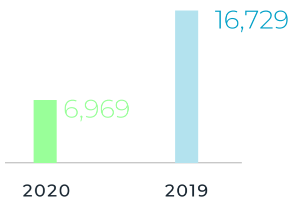
- Collaborations have been established with local councils to set up a space for training.
- A space that respects health and safety standards has been set up to prioritise training for Health and Safety and the associated certifications, as safety training is a priority.

New performance evaluation system

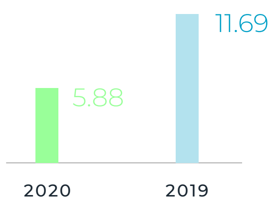
Tubos Reunidos is currently defining a Performance Evaluation system that guarantees this task for most of the people who make up the Group. The project began in 2019, and throughout 2020 several pilot projects have been carried out in some Group teams with both factory and office staff, with a total of 36 performance and professional development evaluations being conducted (31 evaluations in 2019). Progress is expected to be made in 2021 toward the standardisation of this practice at the Group level.

Key figures

Training hours

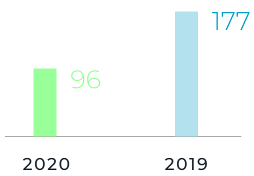


Average hours per person

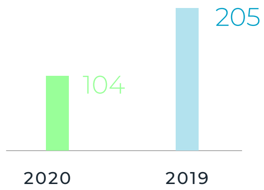


THE REDUCTION IN TRAINING HOURS AND COURSES COMPARED TO THE PREVIOUS YEAR IS DUE TO THE FACT THAT CERTAIN COURSES COULD NOT BE CARRIED OUT BECAUSE OF THE HEALTH MEASURES INTRODUCED.

Investment
Thousand euros



Total courses



DESPITE THE PANDEMIC IN 2020, WE HAVE CONTINUED TO FOCUS ON DEVELOPING THE TALENT OF OUR HUMAN CAPITAL, INVESTING ALMOST 100,000 EURO IN TRAINING.

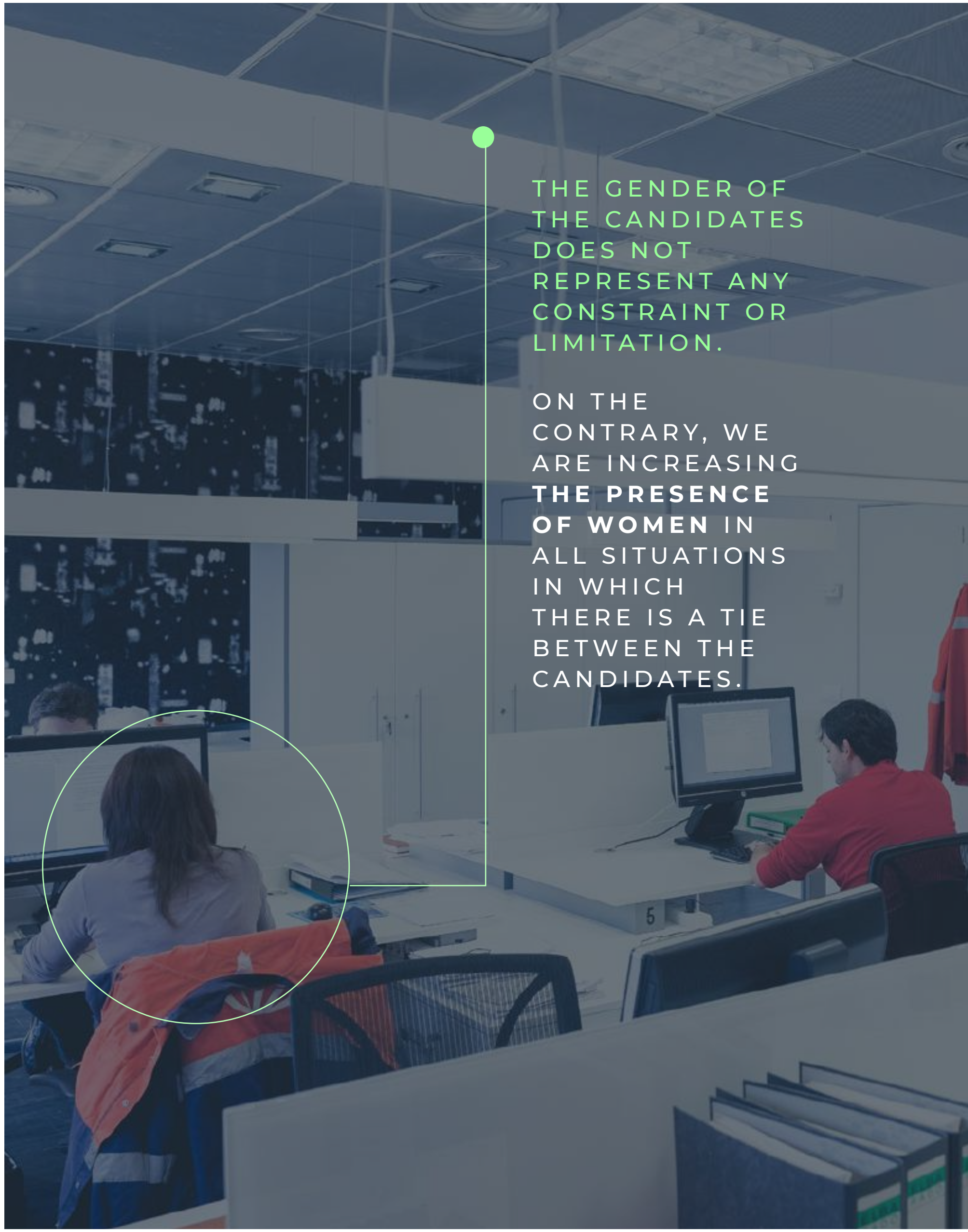
EQUALITY AND DIVERSITY

At the Tubos Reunidos Group, we ensure equal opportunities and non-discrimination for reasons of gender, as stated in the **Ethical Commitment** signed by the different companies of the Group.

We are also firmly committed to equal opportunities in business performance, something that is revealed in all the recruitment processes, which are carried out openly. We have protocols for non-discrimination on the basis of gender, which will be reviewed and refined throughout 2021.

In addition, in some Tubos Reunidos Group companies, we have a **Conflict Resolution Procedure**, which establishes the guidelines to be followed and the roles and responsibilities of all those involved in situations of conflict between employees of the company. This procedure specifically regulates the protocols against sexual harassment and gender-based harassment.

In relation to the ratio of the standard entry level wage by gender to the local minimum wage, the remuneration of all categories are set out in the agreements. None of them allow gender-based pay differences in the same job.



EQUALITY PLAN

In our firm commitment to equality, we are currently implementing an Equality Plan that is aimed at pursuing the following objectives:

- Make progress in consolidating the Group's equality policy and making it more visible.
- Strengthen equal opportunities with the company's employees.
- Communicate zero tolerance of violence in the workplace, in particular sexual and gender-based harassment.

UNESID HAS LAUNCHED THE PUBLICATION **#MUJERESDEACERO** (WOMEN OF STEEL) AS A SECTORAL INITIATIVE FOR GENDER DIVERSITY, WITH THE AIM OF GIVING VISIBILITY TO WOMEN WORKING IN THE SPANISH STEEL SECTOR AND POSITIONING THIS INDUSTRY AS A STABLE AND QUALITY JOB OPPORTUNITY FOR NEW GENERATIONS, ATTRACTING FEMALE TALENT TO DEVELOP THEIR CAREERS IN ITS COMPANIES.

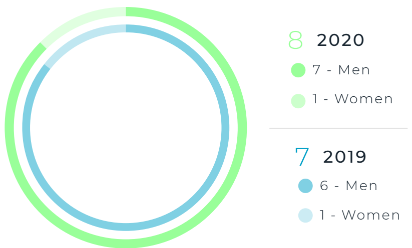
LINK TO MAGAZINE #MUJERESDEACERO

INTEGRATION OF PEOPLE WITH DISABILITIES

The Group's activity is deemed to be a hazardous activity according to the Occupational Risk Prevention regulation. In this regard, at the Tubos Reunidos Group we contract specific jobs to special employment centres. Specifically, during the 2020 financial year, the turnover associated with this type of collaboration amounted to 373,000 euro (367,000 euro in 2019).

In addition, as of the end of 2020, we have eight people with recognised disabilities on our team: seven men and one woman (seven people in 2019: six men and one woman).

People with disabilities by gender



Universal accessibility for persons with disabilities

It is very difficult to include accessibility measures in our production plants because of the nature of the activity, although we attempt to make access as easy as possible. As far as the offices are concerned, we have lifts and access for persons with disabilities.

Any new investment, as well as any adaptation or refurbishment of equipment and general service facilities, is planned in accordance with local regulations and accessibility standards.

05

FOCUSING EFFORTS ON PROMOTING A **SAFE WORKING ENVIRONMENT**

SAFETY AT TUBOS REUNIDOS GROUP

The health and safety of our employees is a top priority for the Group. This is the main criterion to be taken into account in the development of our activities.

Responsibility for Occupational Risk Prevention is required of each and every one of the people who make up our team, whether our own personnel or subcontracted, both individually and according to the position they hold

3 GOOD HEALTH AND WELL-BEING

SDG 3
HEALTH AND WELL-BEING

KEY 2020 FIGURES

The Tubos Reunidos Group has an occupational risk prevention policy that considers the excellent management of all our processes and resources to be the strategy to follow in order to create value for our employees, clients, shareholders and other stakeholders.

Our model is based on strict compliance with the legislation on this matter. For this reason, every year we set health and safety targets for our employees in order to achieve the ultimate goal of **zero accidents.**

THE INCREASE IN THE FREQUENCY RATE IS MAINLY DUE TO THE FACT THAT, DUE TO THE PANDEMIC, THE NUMBER OF HOURS WORKED HAS DECREASED AND CONTINUOUS START-UPS HAVE LED TO AN INCREASE IN THE ACCIDENT RATE, ALTHOUGH THE SEVERITY RATE HAS BEEN LOWER.

FREQUENCY RATE*

2020	2019
51.38	39.08

SEVERITY RATE**

2020	2019
1.15	1.22

THE HEALTH AND SAFETY OF OUR TEAM IS OF PARAMOUNT IMPORTANCE, WHICH IS WHY THIS YEAR WE HAVE DOUBLED OUR INVESTMENT IN THIS AREA TO OVER 1.5 MILLION EURO.

INVESTMENT IN HEALTH AND SAFETY (THOUSAND €)

2020	2019
1,630	803

SUBCONTRACTED EMPLOYEE **ACCIDENTS WITHOUT LEAVE**

47
2020

SUBCONTRACTED EMPLOYEE **ACCIDENTS WITH LEAVE**

22
2020

OCCUPATIONAL **DISEASES**

2020	2019
0	2

* Frequency rate: Accidents with leave x 1,000,000/number of hours worked

** Severity rate: Number of days lost due to accident with leave x 1000/number of hours worked

FOR POSITIONS WITH A HIGH INCIDENCE OF ACCIDENTS, WE ARE CARRYING OUT **EXCLUSIVE AWARENESS AND PREVENTION CAMPAIGNS.**

IDENTIFICATION AND ASSESSMENT OF HEALTH AND SAFETY RISKS

We have procedures for assessing occupational risks, which are constantly updated to incorporate the different risks associated with the performance of routine and specific tasks, associating levels of probability and severity. The scope of the procedures encompasses both 100% of the people in our Company and the subcontracted companies working on our premises.

As a result of this assessment, the work considered to be the source of a high incidence of accidents is detailed below:

Jobs with a high rate of accidents

Position*	Workers**	
	2020	2019
Shift electrician	**-**	6
Shift adjuster	**8**	-
Substitute reducer	**8**	5
Beveller	**6**	-
Shift boilermaker welder	**-**	5
Pipe maintenance adjuster	**-**	19
Winch operator:	**9**	-
crane operator/oxy welding operator	**9**	31
Pipe welder	**3**	-
Production worker	**5**	-

* Position: controlled positions or work stations with high incidence

** Workers: number of people belonging to the company who are exposed to the job with high incidence.

As far as subcontractors are concerned, we also carry out an assessment of the work they carry out, as we are concerned about the Health and Safety of all the people who carry out work at our facilities, regardless of whether they are part of our own staff or not. In this regard, we have identified that the job with the highest incidence of accidents is that of maintenance mechanic, a position in which there were 10 people working in the 2020 financial year.

SPECIALISED IN-HOUSE PREVENTION SERVICES

Within the area of prevention, the Tubos Reunidos Group has its own prevention services specialising in:

SAFETY

HYGIENE

ERGONOMICS-PSYCHOSOCIOLOGY

HEALTH MONITORING

At least every two months, safety meetings are held at department level to monitor prevention indicators, follow up on the implementation of preventive activities affecting the department and gather information that may enable the Group's safety management model to be improved.

SAFETY AND HEALTH AWARENESS AND TRAINING

In order to reinforce and consolidate our occupational health and safety culture, we have specific sections in our annual training plans to ensure certain awareness and training messages are constantly sent. In addition, these issues are also included in the welcome plans for new hires, in order to lay the foundations for safe work.

HEALTH AND SAFETY COMMITTEES AND AGREEMENTS

We maintain adequate communication channels to promote queries and participation of all workers in the prevention of occupational risks. They also receive the necessary information and training to carry out the functions inherent to their role.

OCCUPATIONAL HEALTH AND SAFETY **COMMITTEES**

2020	2019
15	10

WORKERS REPRESENTED AT OCCUPATIONAL HEALTH AND SAFETY COMMITTEES

2020	2019
1,378	1,269

DEPARTMENTAL **MEETINGS**

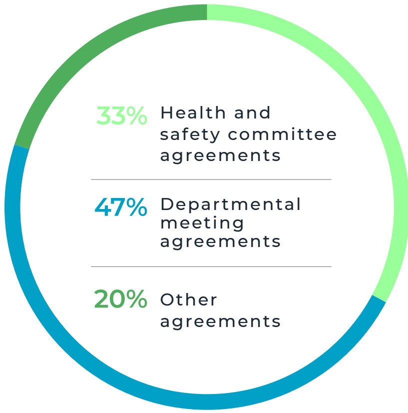
2020	2019
303	107

WORKERS REPRESENTED AT DEPARTMENTAL MEETINGS

2020	2019
1,221	886

At the same time, there are Health and Safety Committees made up of prevention delegates and department heads, in order to monitor, gather observations and advise on existing occupational health and safety programmes. The Committees hold regular meetings at least quarterly, depending on the Group company.

At the Tubos Reunidos Group, we make a great effort and encourage the achievement of formal agreements with our entire team. Proof of this is that in 2020, we made 346 formal agreements (492 agreements in 2019).



OCCUPATIONAL HEALTH AND SAFETY CERTIFICATIONS

In 2020, Productos Tubulares obtained the **ISO 45001** certification for its integrated Quality, Environment and Health and Safety management system. At present, the rest of the Group's companies are OHSAS 18001 certified and are in the process of obtaining the 45001 certification.

Despite all the above efforts, we have unfortunately suffered two fatal workplace accidents in 2020, one involving a member of our own team, and the other involving a subcontractor carrying out work on our premises. We are in the process of a global review of the Health and Safety system and of establishing an action plan aimed at improving management and results, with the help of independent experts in the field.

SAFETY OVERSIGHT IN SUBCONTRACTED COMPANIES

Aware that adapting to specific needs and niche applications requires flexibility in our production process, at the Tubos Reunidos Group we consider it essential to have specialised resources to carry out complementary work with high added value.

Over the years, we have built relationships of trust with different subcontracted companies. As with the people in our Group, we have a methodology in place to regulate the conduct of activities so as to ensure compliance with best practices in health and safety.

It establishes the roles and responsibilities of both the different teams of the Group and subcontracted companies for the coordination of safety. It also describes the procedures for approval, for the submission of information for the performance of the activity and on the risks involved in the activity, and other guidelines for appropriate compliance monitoring.

In addition, all Group companies hold meetings with subcontractors, which are monitored internally and managed by means of follow-up minutes.

100%

ALL COMPANIES THAT WISH TO CARRY OUT WORK ON THE PREMISES OF TUBOS REUNIDOS, S.A. **MUST BE PREVIOUSLY APPROVED.**

ADAPTATION TO COVID-19 FOR SAFE WORK

The year 2020 posed an additional challenge for the management of health and safety in the workplace. We are committed to creating specific task forces to ensure compliance with the highest standards of health and safety related to the pandemic. The frequency of this task force's meetings has varied in intensity, ranging from weekly to monthly meetings.

Likewise, at the Tubos Reunidos Group, we have developed several internal protocols to adapt to the specific prevention measures adopted as a result of the epidemiological situation, which have been published on the Intranet and other channels of communication with employees. Training has also been provided to all staff to ensure proper compliance, and visual information has been placed at strategic locations in plants and offices, emphasising hygiene measures.

AS A RESULT OF THE PROPER MANAGEMENT OF THE WORKING ENVIRONMENT, WE HAVE HAD NO OUTBREAKS IN ANY OF OUR PLANTS.

COVID-19: MAIN PROTOCOLS AND MANUALS DEVELOPED

Information protocol in relation to the coronavirus, to inform people in the Tubos Reunidos Group about the main aspects of the virus, its symptoms and frameworks for action in the event of contact and infection.

Preventive action manuals for personnel, transporters, material deliveries, disinfection and cleaning.

Capacity limits and hand sanitiser dispensers in production facilities.

Procedures for the use of common areas, such as changing rooms, canteens and other common spaces.

Temperature control protocol for the different access routes to production facilities and plants.

List of hygiene measures for both office and factory staff.

At the same time, we have worked quickly and efficiently to secure the necessary supplies to provide all staff with the necessary Personal Protective Equipment to carry out their work as safely as possible. In this respect, all employees are provided with face masks, protective screens and hand sanitiser.

In addition, we have expanded and refurbished the changing rooms in the plants where necessary, with the aim of guaranteeing safe distances between employees. In plants where no expansion has been necessary, schedules have been staggered to comply with maximum occupancy capacities, in order to guarantee safe and hygienic distances, while cleaning and disinfection against COVID has been enhanced.

At the same time, all subcontracted companies have been informed of prevention measures, use of spaces, protocols for action and hygiene. In fact, we have created a specific protocol to prevent infection among suppliers and our own staff. It should also be noted that in most of the Group's companies, the protocols implemented apply to both internal and external personnel alike.

As far as office work is concerned, along with the adaptation of working hours and the provision of equipment to ensure teleworking, we have carried out a risk assessment of the workplace based on a survey sent to the people who have taken up this work format.

PRE-EMPTIVE SAFETY IN THE UNITED STATES

In line with the prevention measures implemented in the production units in Spain, at RDT we have decided to implement the same prevention measures proactively, opting for teleworking in those jobs that allow it and providing Personal Protective Equipment to all employees.

We also improved the health insurance benefits contracted to extend coverage and provide greater security to employees.

IN THE UNITED STATES, WE ALSO IMPROVED THE HEALTH INSURANCE BENEFITS CONTRACTED TO EXTEND COVERAGE AND **PROVIDE GREATER SECURITY TO EMPLOYEES.**

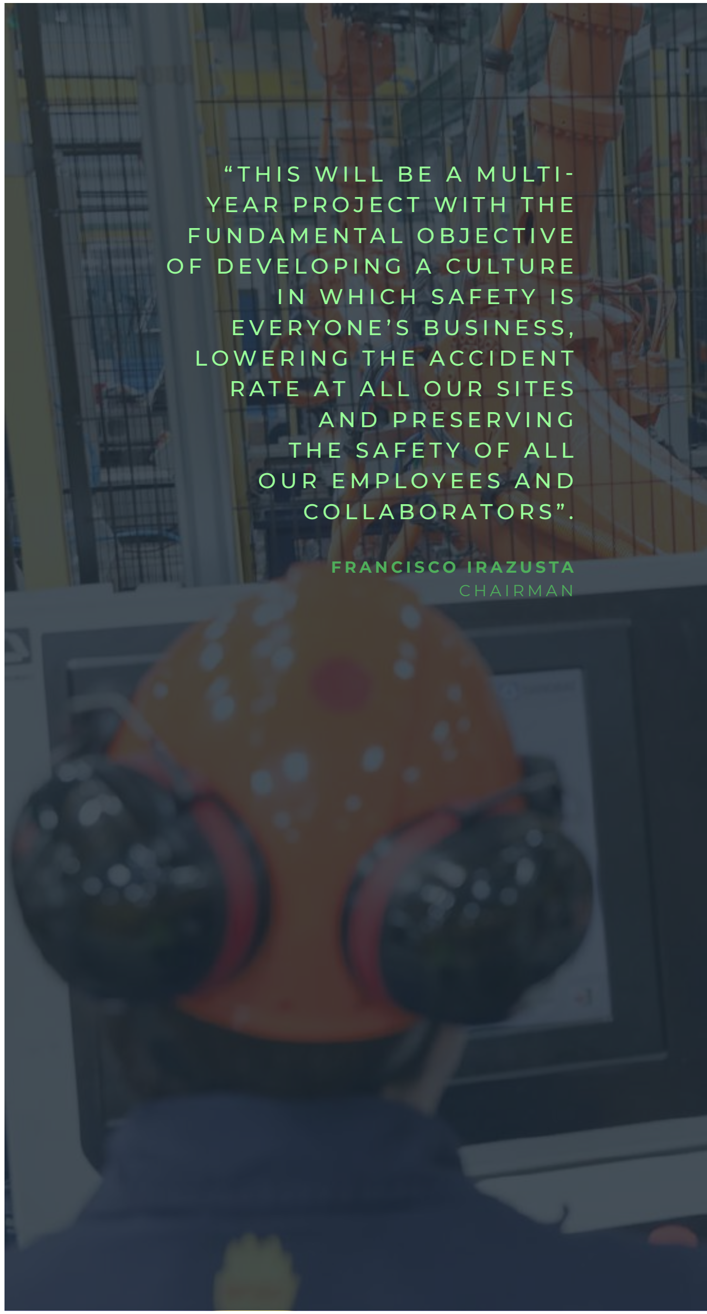
A BIG STEP TOWARDS FOSTERING A CULTURE OF SAFETY

In order to position itself as a benchmark company in terms of safety, the Group has committed financial resources and the special dedication of its team to the development of a project in collaboration with DuPont Sustainable Solutions.

The aim of the project is to strengthen the safety culture within the organisation by focusing on the following lines of action:

MAIN LINES OF ACTION TO PROMOTE SAFETY CULTURE

- Culture and governance
- Management of operations, technologies and associated assets
- Accident and emergency management
- Management of the organisation's employees and subcontractors



The project will be developed over the next three years, including a detailed diagnosis of the situation in the different facilities, different training and alignment with best practices in the sector, the implementation of a system of evaluation and continuous improvement, and the development of a plan for audits and inspections.

The identification and prioritisation of key risks enables the right focus on company-wide priorities and the effective allocation of resources to reduce risks.

LINES OF CONTINUOUS DEVELOPMENT TO FOSTER A CULTURE OF SAFETY OVER THE NEXT THREE YEARS

COMMITTED ORGANISATION

Committed organisation. Involve all levels of the organisation, from leadership to supervisors and employees, to generate commitment and ensure active participation. Involve employee representatives and other stakeholders.

TANGIBLE SHORT-TERM IMPROVEMENTS

Tangible short-term improvements. Achieve tangible improvements in safety performance in the short term by addressing risks in the field to demonstrate the value of safety and reinforce acceptance in the organisation.

IMPLEMENT SAFETY IN THE FIELD

Implement safety in the field. Focus on field implementation to “bring the Safety Management System to life” (we do not deliver safety on paper).

ORGANISATIONAL CAPABILITIES AND CULTURE

Organisational capabilities and culture. Ensure that results can be sustained over time by developing organisational capabilities and continuous improvement processes, as well as embedding a strong safety culture in the organisation.

06 GLOBAL VALUE CHAIN

TUBOS REUNIDOS GROUP PRODUCTION PROCESSES

At the Tubos Reunidos Group, we are global leaders in special niche segments of seamless steel pipe products. Our value proposition is aimed at meeting the special and complex service and product requirements of our clients.

To achieve this, we have integrated almost the entire value chain of the production process, from the steel mill to special finishes, within the Group. We have five production units that combine different electric furnaces, continuous casting facilities, rolling mills, heat treatment furnaces and various finishing facilities. In addition, we have a full range of capabilities to ensure our product quality, process traceability and pipe-by-pipe testing.

We offer high value-added solutions primarily to the energy industry (both oil and gas and electricity generation), and the petrochemical industry.

SDG 12
RESPONSIBLE CONSUMPTION AND PRODUCTION

Thanks to our client focus, our commitment to product and process innovation, and our proven experience over our more than 125 years of history, our client portfolio includes the world's leading oil companies, engineering firms and equipment manufacturers.

Aware of the impact our operations have on the environment, our Group is committed to achieving carbon neutrality by 2050. To this end, we have an integrated structure that aims to reduce our environmental footprint, as well as to re-circulate waste from the production process.

In addition, analyses of potentially significant aspects of the supply chain that may have an impact on health and safety are carried out periodically, and no significant risks have currently been detected.

It should be noted that we have a Quality and Prevention Systems, Environment and Certifications department responsible for establishing guidelines and coordinating actions in this area for all the plants that form part of the Group, as well as environmental managers at each plant.

FROM SCRAP TO PIPE: A SUSTAINABLE ACTIVITY

Committed to the efficient and responsible use of raw materials

Since the beginning of our activity, at Tubos Reunidos Group we have contributed to the reuse of waste as the main input in our production process, helping to transform the economy into a sustainable one. Scrap, our main raw material, comes from waste from other production processes, such as the automotive industry.

The Basque Country is home to a strong and diverse group of industrial companies that make it one of the main industrial engines of the Iberian Peninsula. Thanks to these conditions, the Tubos Reunidos Group has developed a wide network of local suppliers that provide us with a very diverse range of materials with specific compositions and properties.

2020 has been marked by the impact of COVID-19 in all socio-economic fields. In mid-March, the Group launched a contact campaign with its main suppliers to anticipate the possible impact of the pandemic on their operations.

Despite the disruptions seen in the supply chains of other industries and competitors, the Group has managed to ensure the continuity of its operations without production disruptions.

This is achieved thanks to the correct management and close relationship with suppliers, mostly local, in whom the Group has placed its trust and who have responded professionally.

Market breakdown of the global volume of purchases

100%

PRACTICALLY **100% OF PURCHASES HAVE BEEN MADE IN THE EUROPEAN UNION,** WHICH GUARANTEES COMPLIANCE WITH SOCIAL RIGHTS.

PROMOTING SUSTAINABLE CRITERIA IN SUPPLIER RELATIONSHIPS

Our supply chain sustainability strategy is to contribute to creating sustainable production environments that are efficient in the use of natural resources and energy, while ensuring respect for the human and labour rights of workers in supplier companies. Although the procurement policy does not include social, environmental or gender equality issues as such, we do have alternative procedures that include these aspects, which are detailed below.

The Code of Ethical Conduct establishes the foundations of the values and principles that govern contractual relationships with the suppliers. Companies that choose to collaborate with Tubos Reunidos have to undergo an approval process depending on how critical the activity they carry out might be.

We have an Environmental Requirements Communication Procedure for Suppliers and Subcontractors that requires them to comply with certain environmental requirements, whether they operate in our facilities or supply their product and/or service from outside. Specifically, suppliers are required to comply with:

- The procedures and instructions of the Group's Environmental Management System
- The submission of an updated safety data sheet for the chemical product supplied (raw materials, lacquers and varnishes, oils and greases, etc.).
- The submission of a list of current regulations governing restrictions on the use of the substances contained in the chemical product supplied, or a certificate that there are no such restrictions; registration of the REACH substances supplied.
- The official authorisations necessary to carry out or certify their work and the means used (hazardous/non-hazardous waste manager authorisation; hazardous/non-hazardous waste transporter authorisation; vehicle certificate; special driver authorisations; authorisations, registrations, licences and accreditations such as OCA/ENAC, etc.).

Hence, our contracting policy guarantees the selection of suppliers that comply with current legislation regarding quality, environment and occupational health and safety, ensuring the prevention and minimisation of damage at all times. Furthermore, the workers who carry out their activity in our production plants must adapt to the Group's business policies at all levels.

Suppliers that could have an impact on the environment are assessed before being added to the list of approved suppliers, and those with significant potential impact are informed of the requirements to be met to eliminate or minimise said effects. The negative environmental impacts (potential and real) identified in the supply chain, from which suppliers are assessed, are as follows:

SIGNIFICANT NEGATIVE ENVIRONMENTAL IMPACTS IDENTIFIED IN THE SUPPLY CHAIN

Use of resources

Soil and water pollution

Disturbance

Waste

Spills

Emissions to the atmosphere

AWARE OF THE IMPACT OF SUPPLIERS ON THE **VALUE CHAIN,** WE ASSESS MORE AND MORE COMPANIES ON **ESG CRITERIA** EVERY YEAR.

	Companies assessed on the basis of environmental criteria		Companies identified with potential negative impacts	
	2020	2019	2020	2019
PT	**70**	70	**29**	27
TRI	**220**	213	**32**	32
TOTAL	**290**	283	**61**	59

Other Group companies have not carried out evaluations.

Also, all companies that access the premises of the Tubos Reunidos Group to carry out their work, as well as those that supply critical goods that affect safety, must be approved in order to guarantee compliance with our occupational health and safety policies.

In addition, with regard to the supervision and auditing of supplier companies, no specific plan is available. Instead, a quality control of products and services is monitored, with associated incidents being recorded and the option of re-approvals to suppliers being considered.

Finally, we have carried out an Environmental Risk Analysis following the Model Environmental Risk Report approved by the Ministry for the steel sector (SIDMIRAT). In this analysis, carried out by an independent expert in the field, the main risk scenarios of our activity have been considered and the environment in which we are located (natural environment, fauna, flora, etc.) has been taken into account.

Furthermore, with regard to human rights, the Group complies with the criteria of international policies on the responsible management of mineral supply chains from areas of conflict and high risk.

In order to guarantee social and equality rights, we provide employees of supplier companies and, in general, anyone who is aware of any practice contrary to the principles and rights of the ILO, with a complaints channel on the corporate website so that the appropriate measures can be taken. To date, no complaints related to the violation of social rights and equality have been received through this channel.

CURRENTLY, THERE ARE **OVER 250 APPROVED COMPANIES** THAT CAN BE CLASSIFIED AS FOLLOWS

01.

Raw material companies

ferroalloys, additives, etc., except scrap metal.

02.

Companies of goods that are incorporated into the manufactured product

packaging, chemical products, etc.

03.

Auxiliary tasks

In which operations are carried out on our products that are considered critical to satisfy the quality standards required by our clients.

EFFICIENT AND SUSTAINABLE PRODUCTION

At the Tubos Reunidos Group, we are aware that the commitment to locate our headquarters and main production facilities in the Basque Country means being subject to stricter local and European regulations. However, we remain committed to contributing to the socio-economic development of the region, integrating respect for the environment and a commitment to sustainable development into our pillars of action.

The quest for production efficiency is implemented as a fundamental objective within the Group's daily operations, both because of our commitment to be an emission-neutral company by 2050 and because of our quest for profitability in our income statement.

The Group's main production plants have and maintain their respective environmental management systems up to date in accordance with the requirements of ISO 14001. They also have a Quality, Environment and Occupational Risk Prevention Policy, which establishes commitments to legal compliance, environmental protection, pollution prevention and environmental impact reduction.

SDG 13
CLIMATE ACTION

The main avenues for action include the following:

• They have an integrated Environmental Authorisation that establishes the facilities' operating conditions for the protection of air, water and soil quality and for the proper management of waste, as well as the appropriate monitoring of their environmental factors.

• They establish plans and resources to reduce the environmental risks of their activity by fully assuming their environmental responsibility for prevention, avoidance and remediation in case of adverse effects on the environment.

• They apply the best technology available to their processes and activities.

• They participate in Greenhouse Gas Emissions Trading by crediting the CO_2 emissions resulting from their production activity each year.

DURING THE 2020 FINANCIAL YEAR, INVESTMENTS MADE AND EXPENSES INCURRED FOR THE PROTECTION AND IMPROVEMENT OF THE ENVIRONMENT AMOUNTED TO **MORE THAN 1.8 MILLION EURO.**

Tubos Reunidos works together with the rest of the steel sector, through business organisations such as UNESID and its Circular Economy Pact, in the search for new ways to contribute to the improvement and reduction of its environmental impact, such as: recovery of waste and by-products generated in the production process, reduction and control of atmospheric emissions, conservation of soil and water quality, efficiency in the use of natural resources and raw materials, etc.

Aware that the reduction of its environmental impact is achieved day by day, with the commitment of 100% of the Group's employees, this financial year we have launched staff awareness campaigns to promote the reduction of waste, the reuse of waste and recycling.

We have a tool that allows us to calculate potential environmental risks, anticipate potential scenarios, quantify environmental provisions and design

specific plans based on the results. In both 2020 and 2019, we did not identify the need for provisions or environmental safeguards. However, we have an environmental liability policy for a general limit of 10 million euro per claim per period.

Following a reflection and analysis of the main environmental impacts of the production process, at the Tubos Reunidos Group, we have set ourselves the priority of reducing the amount of waste and reducing our environmental impact in general. In parallel, throughout 2020, despite the impact of COVID-19 and the company's economic situation, some specific measures related to the sustainable use of resources and the circular economy have been adopted.

Main metrics and actions/projects

Sustainable use of resources

CONSUMPTION OF RAW MATERIALS

ACTIONS/PROJECTS

Scrap screening process for elimination of soil. Increases quality and reduces energy consumption associated with smelting.

Scrap (t)

163,403
2020

Unrecycled raw materials (t)

9,800
2020

WATER CONSUMPTION

ACTIONS/PROJECTS

Use of rain water.

We also have a closed circuit for recycling industrial waters in order to minimise the consumption of municipal drinking water, both in TRI and PT. As a result, in 2020 we re-used 15,838,739 m³ (20,277,618 m³ in 2019).

Water used (m³)*

283,569
2020

340,528
2019

* The figures reflect the total volumes of water abstracted, broken down by surface water and water from municipal supplies or other water services, whether public or private. As they do not apply, neither rainwater (collected and stored) nor waste water from another organisation have been included.

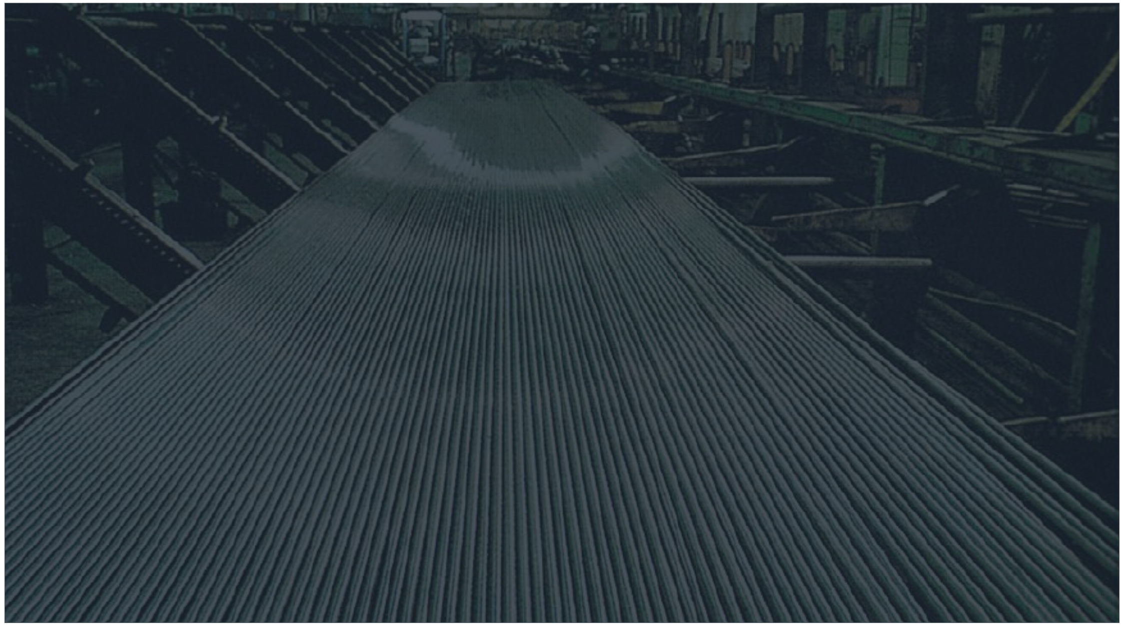
THE WATER USED DECREASED FROM THE PREVIOUS YEAR, MAINLY DUE TO THE REDUCTION IN ACTIVITY CAUSED BY THE PANDEMIC AND **THE INCREASE IN REUSED WATER.**

ENERGY EFFICIENCY

ACTIONS/PROJECTS

We have replaced all the conventional lighting in our plants with new LED lighting for more efficient and responsible energy consumption.

In 2020, between 37% and 38% of the energy consumed was of renewable origin (between 35% and 40% in 2019).



	2020	2019
Electricity (MWh)	175,810	244,498
Natural gas (MWh)	264,521	345,293
Energy intensity (KWh/t producto)*	2,373	2,084

ENERGY CONSUMPTION DECREASED MAINLY DUE TO THE FALL IN PRODUCTION, WHICH **WAS DOWN 34% COMPARED TO THE PREVIOUS YEAR.**

ENERGY INTENSITY HAS INCREASED COMPARED TO THE PREVIOUS YEAR DUE TO THE FACT THAT THE CONTINUOUS PRODUCTION AND ACTIVITY START-UPS AND STOPPAGES CAUSED BY THE PANDEMIC HAVE LED TO LOSSES IN ENERGY EFFICIENCY. HOWEVER, WE CONTINUE TO WORK DAY BY DAY TO REDUCE CONSUMPTION PER TONNE PRODUCED.

* This ratio takes into account the total energy consumption of the plants. In the case of TRI and PT, consumption is linked to the production of liquid steel; the rest is linked to the production provided by companies in tonnes.

Circular economy: Waste prevention, recycling or recovery and disposal

All the waste generated in the production centres is managed as indicated in the Integrated Environmental Authorisations, in accordance with the following order of priority:

Order of priority

01. **Regeneration/reuse**

02. **Recovery**

03. **Destruction** (whenever it can be shown that recovery is not technically, economically or environmentally feasible).

CIRCULAR ECONOMY

ACTIONS/PROJECTS

Waste generated by smelting is then put back into the furnace. There is no loss in the process.

More efficient system for the collection of steel dust.

Use of slag:

- Manufacture of concrete for both in-plant use and cement supply.
- Black slag recovery
- White slag recovery

Use of ferrous sulphate.

Constant search for more waste recovery lines.

Signposting of waste collection points in the plant.

In stainless steel, more than 500 tonnes have been produced in 2020, of which 15% comes from returns from the production process.

WE ARE COMMITTED TO THE RECOVERY OF OUR WASTE AND CONTRIBUTING TO A MORE SUSTAINABLE WORLD. PROOF OF THIS IS THAT **94% OF THE WASTE GENERATED IS REUSED OR RECYCLED.**

Hazardous waste

	2020	2019
Reuse (t)*	2,431	3,778
Recycling (t)	8	17
Dumping (t)	2,404	2,746

Non-hazardous waste

	2020	2019
Reuse (t)*	79,193	99,754
Recycling (t)	35,430	64,923
Dumping (t)	4,687	6,306

* Tonnes recovered within own steel mills are included.

JOINING FORCES IN THE CLIMATE CHANGE CHALLENGE

At the Tubos Reunidos Group, we want to actively and decisively contribute to a sustainable and low-carbon future, an effort that will also boost social and economic development through the generation of employment and wealth.

In order to combat the challenge of climate change, we permanently monitor greenhouse gas (GHG) emissions, the evolution of trade in these emissions and how international agreements in this field may affect the Group in order to make the most appropriate decisions to minimise risk and seize opportunities.

Given that Tubos Reunidos' GHG emissions are mainly associated with the consumption of gas and electricity in its operations, the actions taken to reduce these emissions are directly related to the energy efficiency measures adopted to reduce this consumption.

At the risk level, it should also be noted that a significant part of the Group's sales are directed to the oil sector and therefore may be affected by possible changes in regulatory and/or environmental policies.

To develop our commitments, we are working on a climate action plan with different lines of action in the medium and long term, which we will finalise in the coming years. Specifically, in order to carry out an analysis of the risks and opportunities of Climate Change, we are working on the recommendations of the Task Force Climate Related Financial Disclosures (TCFD) in its 4 dimensions (Governance, Strategy, Risk Management, Metrics and Objectives).

GHG EMISSIONS

	2020	2019
SCOPE 1 (T CO_2)*	53,915	71,691
INTENSITY (T CO_2/T PRODUCT)***	0.49	0.50
SCOPE 2 (T CO_2)**	37,649	68,688

OBJECTIVE OF CARBON NEUTRALITY BY 2050

* The data includes direct CO_2 emissions emitted and verified under EU GHG emissions trading (PT and TRI), and those associated with natural gas consumption by companies not affected by GHG emissions trading. The calculation of direct emissions from companies outside emissions trading has been done using the emission factors for Natural Gas used within emissions trading (38.32 CO_2/Tn and 56.19 GJ/1000 Nm^3).

** The table shows the annual electricity consumption multiplied by the emission factor (EF) published by the Spanish National Commission on Markets and Competition for each supply company in $KgCO_2$/KWh. The factor used corresponds to the last official value published.

*** The result of the sum of direct emissions (scope 1) and indirect emissions (scope 2) with respect to the specific production parameters of each company.

GREENHOUSE GAS EMISSIONS HAVE DECREASED MAINLY AS A RESULT OF LOWER PRODUCTION ACTIVITY. **WE HAVE ALSO MANAGED TO SLIGHTLY REDUCE THE INTENSITY OF GREENHOUSE GAS EMISSIONS PER TONNE OF PRODUCT.**

With regard to Scope 3 indirect emissions, we do not currently have a sufficiently robust and reliable systematic method to account for this type of emissions, although we are working on it and will be able to provide such data in the coming years.

On the other hand, with regard to other types of pollution, such as light pollution, although we are not a relevant organisation in this respect, the necessary actions are being taken to obtain more efficient lighting and not to contribute to the increase in this type of pollution. In relation to noise, the regulatory measurements required in the corresponding Integrated Environmental Authorisations are taken to verify compliance with the emission limit values, and no non-compliance with these values was found.

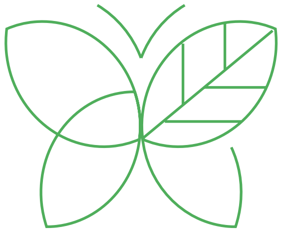
With regard to ozone-depleting emissions (ODS), existing equipment in use in production plants containing such components is replaced by non-ozone depleting equipment at the time of replacement. Likewise, all machinery is subject to the revisions and maintenance work set out by current regulations, so that any intervention that requires the handling of these gases is restricted to duly accredited personnel and maintenance companies. These companies are responsible for taking the necessary measures to recover the gases, ensuring their proper management and avoiding their emission into the atmosphere.

Finally, in terms of nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions, the most relevant sources of emission correspond to melting (HEA) and heating furnaces. In the absence of such measurements, as they are not mandatory this financial year, they have been estimated on the basis of the latest assessments carried out and the operating hours in 2020.

PROTECTION OF BIODIVERSITY

The activities and operations carried out in the production plants do not have, in most cases, a direct impact on biodiversity and protected areas. Only one part of the facilities in the TRI plant is within a protected area in the bed of the Nervión river. In this case, in addition to the conditions established in the Integrated Environmental Authorisation, the appropriate measures have been taken and the different scenarios of environmental risks have been assessed using the tools approved by the Administration in order to control and minimise any chance of a significant impact.

MAPS AND DOCUMENTATION ANALYSED TO ASSESS DIFFERENT ENVIRONMENTAL RISK SCENARIOS



- **Habitats of community interest.**
- **Green corridors**.
- Distribution of **threatened species of flora and fauna.**
- **Natura 2000 network** (LIC, ZEC, ZEPA).
- **Protected spaces,** biotope, RAMSAR, special trees, national parks.
- **Natural areas of interest.**
- **Territorial Planning Guidelines** of the CAPV (DOT).
- **Space catalogue.**
- **Environmental Risk Analysis** (ERA) Report of Tubos Reunidos Industrial dated 14 June 2019.

PARTNERSHIPS TO PROMOTE ENVIRONMENTAL IMPACT REDUCTION

- **Siderex:** (Basque Country Steel Employers' Association) working groups for energy efficiency, efficiency in waste management and water treatments.
- **Cluster Energía País Vasco** (Hidrógeno Verde)
- **Unesid:** decarbonisation project with three working groups: raw materials, circular economy and water.
- **Cluster de Acero del País Vasco** [Basque Country Steel Cluster]
- **Pacto por una Economía Circular** [Pact for a Circular Economy]

- **Technical Committee for Standardisation CTN 323** "Circular Economy" of the Spanish Association for Standardisation (UNE).

FINAL PRODUCT. HIGH PERFORMANCE AND MEETING CLIENT NEEDS

Our clients first

At the Tubos Reunidos Group, we are obsessed with ensuring that our solutions are adapted to the specific needs of our clients, while complying with the highest standards of quality and safety in their use. We place our clients at the centre of our activities, with the aim of establishing long-lasting relationships with them based on the reciprocal contribution of value and mutual trust.

This obsession is present in all areas and at all levels of the Group, with a strong push from senior management. Since his arrival at the beginning of 2020, one of the main activities promoted by the new Executive Chairman has been to hold a meeting with the Group's main clients, accompanied by the sales management team and the CEO of the Tubos Reunidos Group.

These meetings have served as input for channelling trends, developing new opportunities and forging closer links with our main partners. As a result of our interactions with clients, at the Tubos Reunidos Group we have decided to centralise commercial management from a single transversal area, in order to provide the sales teams with greater agility in managing the needs of clients with increasingly global needs and presence. The implementation of the Key Account Manager system, which will complete the centralisation of customer service from a single point, is expected to be completed in 2021.

Simultaneously with all these projects, as part of our commitment to our clients, we have a management model that allows us to monitor the degree of client satisfaction based on annual surveys, with a special focus on:

TECHNICAL QUALITY

MEETING DEADLINES

AGILITY AND CLOSE CONTACT

PRODUCT INFORMATION

18

MEETINGS WITH **MAYOR CLIENTS** HELD IN 2020 BY THE CHAIRMAN

BUILDING STABLE RELATIONSHIPS OF TRUST

As with the commercial area, the sales department manages client complaints in a transversal and centralised manner from a single point. We have an IT tool to ensure agile management. We centralise all claims, associating them with orders in order to trace the operations carried out on the products. The Quality team is responsible for analysing complaints, contacting the areas involved and providing an effective response to our clients. The Quality area works closely with the production units in order to incorporate improvements in the processes, based on the feedback received from clients.

At the Tubos Reunidos Group, we focus on the quality assurance of our products. In our facilities, we have a multitude of means to monitor information on the process, and to carry out the relevant quality controls according to the requirements of our clients.

We ensure the correct traceability of our products through the marking and labelling of each manufactured pipe. This traceability ensures its identification and the availability of all the information on it from the first data input in the steel mill and the documentation that is always attached (quality certificates, delivery notes, invoicing, etc.). In order to continue to improve, this year in one of our plants we incorporated a system to digitise, through a QR code, the addition to each product of information on the production process that is of great value for our clients. This will also allow our clients to know the status of their orders in real time.

In addition, we have the most demanding approvals required by our various clients. One of the measures taken to ensure that the manufactured products are not hazardous and are used and handled correctly and reasonably is that all substances involved in the manufacturing process and are part of the final product (including lacquers and varnishes) have a safety data sheet in accordance with European standards and regulations, such as EU 453/2010 (requirements for the preparation of safety data sheets) or EU 1907/2006 (on the Registration, Evaluation, Authorisation and Restriction of Chemicals - REACH), among others, as required by the ISO 9001 Quality Standard, according to which we are certified.

In 2020, 126 complaints were received, all of which were properly handled (130 claims in 2019). At the Tubos Reunidos Group, we meet all our clients' requirements and specifications, including health and safety requirements. In 2020, as in previous years, there are no known incidents or cases of non-compliance relating to the health and safety impacts of product and service categories.

COMPLAINTS RECEIVED

126
2020

130
2019

RDT QUALITY FOCUS (USA)

In the United States, we have a complaint management system focused on providing a quick and comprehensive response to our clients. The quality area works closely with the sales area to coordinate responses, with a team able to travel to client sites in record time to analyse the situation and provide an effective response.

The Tubos Reunidos Group has participated in countless international projects in different markets where it has been present for decades, such as, for example, in the Chinese market with a billing order of 11 million euro for alloy steel.

We are currently developing and leading the energy transformation of our sector and consolidating the new added-value strategy, a new business model, based on acquiring new orders/markets in which our qualities and dimensions improve the designs and needs of our clients.

07 CULTURE OF INNOVATION AND INDUSTRIAL EXCELLENCE

INNOVATION AT THE TUBOS REUNIDOS GROUP

Innovation at the Tubos Reunidos Group is one of the most important keys to maintaining a strong and differential position as a leading supplier of niche piping solutions.

In 2020, we established an Innovation and Development Committee with the aim of overhauling the innovation management model within the Tubos Reunidos Group. We have implemented a system for collecting and analysing signals, which allows us to tackle the innovation and development projects, both at the process and product level, necessary to ensure the success of our future.

SDG9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

INNOVATION PROCESS AT THE TUBOS REUNIDOS GROUP

The systematic approach we have designed is based on taking advantage of the large amount of market information that we obtain through different stakeholders in the Group, through a systematic collection and analysis to evaluate possible developments that could be implemented. We have set up a mailbox for the organised collection of such opportunities.

Opportunities are channelled through the Committee and regular meetings are held where opportunities will be prioritised based on commercial, market responsiveness and technical factors.

In order to involve and motivate people in the organisation, feedback of the outcome to other staff in general and to signal senders in particular is of vital importance as a lever to raise awareness of the importance of these initiatives and to help people get involved.

Once launched, this innovation path will be promoted internally through an awareness-raising campaign.

INDUSTRIAL INNOVATION AWARD

In December 2020, the Tubos Reunidos Group received the industrial innovation award at the sixth edition of the Vodafone Deia Innovation Sariak. In this edition, the work of our Group has been recognised for its commitment to innovation, despite the times of crisis.

At the award ceremony, our Managing Director, Carlos López, took the opportunity to extol the benefits of having a local supply chain and how important it is for us to position ourselves in niche and high added-value solutions. We are aware that savings and efficiency have to come from Industry 4.0, and not from the reduction of labour costs.

"INNOVATION IS MADE BY THE PEOPLE WHO EXPERIENCE THE TUBOS REUNIDOS GROUP ON A DAILY BASIS. IT IS ESSENTIAL TO CONTINUE TO ENCOURAGE OUR PEOPLE TO CONTRIBUTE IDEAS, ALWAYS ENSURING THAT INNOVATION IS LINKED TO THE CLIENT."

CARLOS LÓPEZ
MANAGING DIRECTOR

TUBOS REUNIDOS GROUP RECEIVES SPECIAL RECOGNITION IN THE 2020 AWARDS FOR ITS STEADFAST COMMITMENT TO INVESTING IN PEOPLE AND TEAMS ON AN ONGOING BASIS.

LEARN MORE ABOUT THE 2020 AWARDS.

NEW PRODUCTS AND APPLICATIONS

One of our main goals is to emphasise our commitment to the development of customised products with high added value for our clients. For this reason, we devote significant resources to innovation, one of the pillars on which our activity is based and the main way in which we achieve our objectives, through the development of new technologies and products that help us meet the needs of our clients.

Our focus on innovation has led us to develop new steels and treatment processes that have resulted in increased resistance to the pressure, temperature, and corrosion encountered in deep water, Arctic temperatures and other aggressive environments in which oil and gas drilling primarily takes place.

PROJECTS UNDER WAY

We have personnel carrying out R&D&I activities in the Group's production plants in collaboration with leading Research Centres, in charge of carrying out all kinds of tests and developments that have been detected as a possible opportunity for the Group. In this sense, the projects we have carried out have been focused on all the sectors in which we work, **upstream, midstream, downstream.**

SECTORS IN WHICH THE TUBOS REUNIDOS GROUP WORKS AND OUR ONGOING PROJECTS

UPSTREAM | MIDSTREAM | DOWNSTREAM

UPSTREAM

TUBOPRO Project
Linked to a new steel mill billet format
Completion: start of 2021.

TUBINOX Project,
Aimed at the integral manufacture of the new API 5RCA OCTG grades.

SOURTUBE Project
The development of the new TR125SS grade has been successfully initiated.

MIDSTREAM

Expansion of the special products range, incorporating the X60N and X60NS grades into the catalogue.

DOWNSTREAM

ACHIEF Project
Together with ten other partners from six European countries and Turkey, it is aimed at developing innovative materials for application in energy intensive industries (EII) in order to reduce the impact on the generation of greenhouse gases.

CRIOX Project
Development of stainless steel grades for applications where cryogenic service temperatures are required.

COREAL Project
Under the umbrella of the Hazitek programme, it develops new product capabilities within the family of nickel-based alloys, used in applications with high thermo-mechanical demands or corrosive environments.

In the OCTG (Upstream) area, significant progress has been made in achieving the new 7 5/8" casing dimension (TUBOPRO project) linked to a new steel mill billet format, which is scheduled to be completed in early 2021.

In addition, two new projects focused on high-value-added products in this area were launched in 2020. The first of these, with the acronym TUBINOX, is aimed at the integral manufacture of the new API 5CRA OCTG grades for applications with high resistance to combined corrosion, both sour (Sour Service) and sweet (Sweet Service); for example, the API 5CRA 13-5-2 grade, representing a **new milestone for the Amurrio plant**. Finally, the development of the new TR125SS grade has been successfully initiated within the framework of the SOURTUBE project, combining high resistance to corrosion in acidic environments and a high Elastic Limit (minimum 125 Ksi). These projects are financially supported by the ERDF (European Regional Development Fund) funds.

In the Midstream sector, work has also been done to expand the range of special products, incorporating the X60N and X60NS grades into the catalogue in dimensions that were previously outside the catalogue.

Driving the ecological transition

Finally, in relation to the power generation sector (Downstream-Powergen), the ACHIEF project was launched in 2020, together with ten other partners from six European countries and Turkey, approved by the European Commission within the SPIRE08 programme. It is aimed at developing innovative materials for application in energy intensive industries (EII), in order to reduce the impact on the generation of greenhouse gases, as well as improving the efficiency and life expectancy of the equipment used. Specifically, we are involved in improving the high temperature creep behaviour of the 12%Cr furnace grade, and the supply of alloyed piping for the subsequent application of innovative coatings to improve erosion and corrosion resistance.

Similarly, within the framework of the CRIOX project, the development of stainless steel grades for applications where cryogenic service temperatures are required has been initiated. These types of applications are closely related to the possibilities of generating and storing Liquefied Natural Gas and producing Hydrogen. This should position us within the value chain of one of the main vectors of the energy transition, towards which a large part of the powergen sector and its main players are orienting themselves.

Leaders in technological innovation

Finally, we are developing the COREAL project under the umbrella of the Hazitek program. The aim is to develop new product capabilities within the family of nickel-based alloys, used in applications with high thermo-mechanical demands or corrosive environments. This type of development fits in perfectly with the special and niche product philosophy. The dimensional range under study is outside the manufacturing possibilities of most seamless pipe manufacturers and this development should serve as a technological and commercial lever for the Tubos Reunidos Group in growing areas for this type of piping and application.

COOPERATION WITH MAJOR SECTOR PLAYERS

In November 2020, we signed the renewal of the agreement with Marubeni-Itochu Steel to continue our joint operations as partners in Tubos Reunidos Premium Threads (TRPT) for the next three years. This partnership with Marubeni-Itochu Steel started in 2016 and specialises in pipe finishing with premium connections for the energy world, mainly for highly demanding oil and gas wells.

The new agreement will involve the marketing of 34,000 tonnes. The seamless steel pipe will be manufactured at the Tubos Reunidos Industrial (TRI) plant in Amurrio and will subsequently receive special state-of-the-art Premium machining and threading treatments at the TRPT plant, destined for the most important oil and gas markets around the world.

17 PARTNERSHIPS FOR THE GOALS

SDG17
PARTNERSHIPS FOR THE GOALS

DIGITISING OUR PRODUCTION PROCESS

FIRM COMMITMENT TO INDUSTRY 4.0.

At the Tubos Reunidos Group, we do not want to miss the opportunity offered by being immersed in the fourth industrial revolution, which is allowing us to incorporate disruptive technologies into our facilities to increase the efficiency of our processes and enable us to manufacture intelligent products in the future.

Industry 4.0 provides a number of opportunities for our Group to move even faster towards smart machines, lines and factories.

As a clear demonstration of our involvement and commitment to Industry 4.0 as a lever for growth, at the Tubos Reunidos Group we have joined the BIND 4.0 initiative, created by the Department of Economic Development and Infrastructure through the SPRI Group, collaborating in the fifth edition in search of the best technological projects among different start-ups from all over the world.

In our participation, we have met with more than 20 innovative start-ups through the engineering, technology, logistics and systems departments of our two main production units.

These start-ups incorporate technology in order to implement improvements in industrial processes.

LINKS ESTABLISHED WITH START-UPS

BIG DATA
for statistical analysis of defectology forecasts

DIGITAL TWIN
for modelling planning based on hypotheses of offers and orders and control of interaction between different variables

MACHINE VISION
for defect detection and material segregation, both hot and cold

We will continue discussions with these companies in order to look for possible areas of joint collaboration.

08 GOOD GOVERNANCE

GOVERNANCE BODIES

The proper functioning of the governing bodies of the Tubos Reunidos Group guarantees the achievement of the company's objectives in line with our Strategic Plan.

The Board of Directors of our Group is fully committed to the continuity of the company, firmly convinced that the new Strategic Plan will lead us to achieve the objectives set.

100%

% ALL BOARD RESOLUTIONS HAVE BEEN ADOPTED **UNANIMOUSLY.**

LEADING A NEW PHASE

In April 2020, Francisco Irazusta joined the team as the new Executive Chairman, strengthening the executive front line to lead this new phase initiated after the refinancing agreement.

Francisco has extensive international experience in different industries. With a strong focus on strategy, **innovation and health and safety**, he is helping the team to meet the tough challenges we will face in the coming years.

15

MEETINGS IN 2020

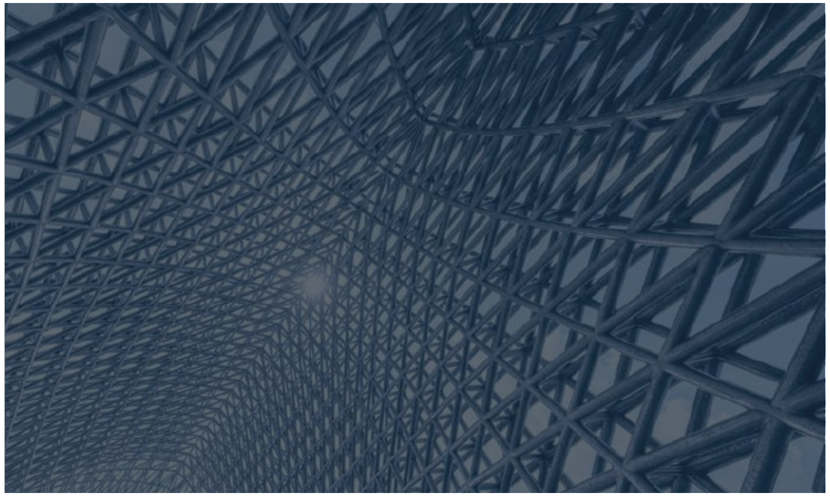
Members of the Board of Directors

Mr. Francisco Irazusta Rodríguez*	Executive Chairman
● Mr. Emilio Ybarra Aznar	Deputy Chairman
● Mr. Jorge Gabiola Mendieta**	Coordinating Director
● Mr. Alfonso Barandiarán Olleros	Member
● Mr. Enrique Migoya Peláez	Member
● Ms. Ana Muñoz Beraza	Member
● Mr. Jesús Pérez Rodriguez-Urrutia***	Member
● Mr. Juan María Román Gonçalves	Member
● Mr. Cristóbal Valdés Guinea	Member
● Ms. Leticia Zorrilla de Lequerica Puig	Member
Ms. Inés Nuñez de la Parte	Non-director secretary

● Proprietary director
● Other External Director
● Independent director

* Appointed Director and Executive Chairman via co-option on 28 April 2020.
** Non-Executive Chairman and Other External Director until 28 April 2020, when he was co-opted onto the Board as an Independent Director and appointed as an independent Coordinating Director.
*** Appointed via co-option on 30 January 2020.

As part of the governance model, the Board of Directors of Tubos Reunidos has two supervisory committees (non-decision-making) that assist in the performance of the duties entrusted to them in accordance with the Group's Articles of Association and the Board Regulations.



AUDIT COMMITTEE

Responsible, among other matters, for the supervision of financial reporting, the management of internal and external audit services, as well as the supervision of legal and governance requirements.

Members of the Audit Committee

Mr. Juan María Román Gonçalves	Chairman
Mr. Enrique Migoya Peláez	Member
Ms. Ana Muñoz Beraza	Member

MEETINGS IN 2020

6

Proprietary director
Other External Director
Independent director

APPOINTMENTS AND REMUNERATION COMMITTEE

Responsible for assessing the skills, knowledge and experience required of candidates to fill vacancies on the Board and Management Committee.

Members of the Appointments and Remuneration Committee

Ms. Ana Muñoz Beraza	Chairwoman
Mr. Jorge Gabiola Mendieta	Member
Mr. Juan María Román Gonçalves	Member
Mr. Cristóbal Valdés Guinea	Member

MEETINGS IN 2020

4

Proprietary director
Independent director

FUNCTIONS OF THE HIGHEST GOVERNANCE BODY

The Board of Directors is, after the General Shareholder's Meeting, the highest decision-making body of the Group.

As stated in the Regulations, the Board of Directors is responsible for the achievement of the corporate purpose, the protection of general interests and the creation of value for the benefit of all shareholders. Consequently, the Board of Directors must, at all times, be guided by the criterion of maximising the value of the Group.

In application of the above criteria, the Board determines and reviews the business, commercial, industrial and financial strategies, the planning of the Tubos Reunidos Group and the implementation of investment projects in order to obtain maximum profit with reasonable risk.

However, the Board has delegated the day-to-day management of the Company to a Management Committee chaired by the Managing Director, although powers that are legally or statutorily reserved for direct use by the Board or those necessary for the responsible exercise of its functions may never be subject to delegation under any circumstances.

MEMBERS OF THE GROUP STEERING COMMITTEE ACTIVE IN 2020

Members

Mr. Carlos López de las Heras	Managing Girector
Mr. Antón Pipaón Palacio	Deputy Managing Director
Ms. Izaskun Eyara Alvarez*	Financial Director
Ms. Inés Núñez de la Parte	Director of Legal Advisory Services
Mr. Miguel Garrido Iria	Director Sales & Operations Planning
Mr. Andoni Jugo Orrantia	Industrial Director of TR industrial
Mr. Jon Zarandona Rekalde	Industrial Director of Productos Tubulares:
Mr. Jon Bikandi Iturbe	Deputy Industrial Director of Productos Tubulares
Mr. Francesc Ribas Collel	TR Usa Director
Mr. Iñigo Urrutikoetxea Portugal	Sales Director
Mr. Francisco Torres Malo**	Internal Audit Director

* She joined the Steering Committee in January 2020.
** He ceased to serve on the Steering Committee in December 2020, and Mr Alberto Santamaría Rubio was appointed Internal Audit Director in January 2021.

REMUNERATION

On 29 October 2020, the General Shareholders' Meeting approved the new text of the Board Remuneration Policy, available on the website.

In compliance with statutory provisions, in 2020 the remuneration system for directors, for their supervisory and joint decision-making functions, consisted of the following remuneration:

- **Fixed annual remuneration** for the role of member of the Board of Directors and proportional to the term of office during the financial year.
- **Fixed annual remuneration in addition** to the above for the Executive Chairman for his executive functions and his position as Chairman of the Board.
- **Additional fixed annual remuneration** for the Coordinating Director for his greater dedication (equal to that previously received as Non-Executive Chairman).
- **Fixed annual remuneration additional to the above** for one of the members for their greater dedication to the control and monitoring of compliance with the obligations of the refinancing agreement.
- **Per diems for attendance at meetings of the Board and committees.** In the case of the chairpersons of the Supervisory committees (Audit and Appointments and Remuneration), the amount of the per diem is double, due to their greater dedication and the tasks they assume.
- **A token share of 0.5% of the Group's consolidated net profit,** provided that the legal reserve is covered and a minimum dividend of 4% has been recognised. This item has not been applied as no consolidated net profit has been generated.

CONSULT THE NEW BOARD REMUNERATION POLICY

TO DETERMINE THE BOARD'S REMUNERATION POLICY, **WE HAVE EXAMINED THE POLICIES AND CRITERIA USED BY COMPARABLE LISTED SPANISH COMPANIES** INCLUDED IN THE DIRECTORS' REMUNERATION REPORTS PUBLISHED BY TWO LEADING CONSULTING FIRMS.

Process for determining remuneration

The Appointments and Remuneration Committee annually reviews the amounts of remuneration for directors and members of the Steering Committee, making the corresponding proposals to the Board of Directors.

The Committee also annually verifies whether the objectives established for the members of the Steering Committee have been met and, consequently, the variable remuneration to be paid, which it then submits to the Board of Directors for approval.

Stakeholders' involvement in remuneration

On the agenda of the Ordinary General Shareholders' Meeting of the Company, the Annual Report on the Remuneration of the Board, the text of which is made available in advance and includes the remuneration policy of the Board and the amounts received individually by its members for each item, is submitted for the consideration of the shareholders on a consultative basis. This amount was approved unanimously at the General Meeting held on 29 October 2020.

Letter from the Chairman

Tubos Reunidos Group

Committed to our stakeholders

The people in the Tubos Reunidos Group

Focusing efforts on promoting a safe working environment

Global value chain

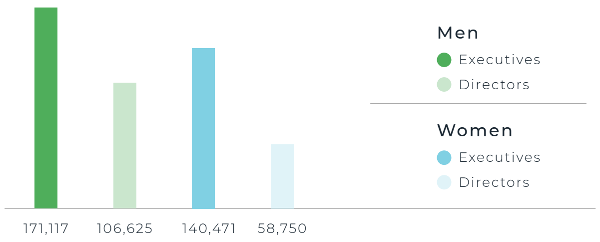
Culture of innovation and industrial excellence

Good governance

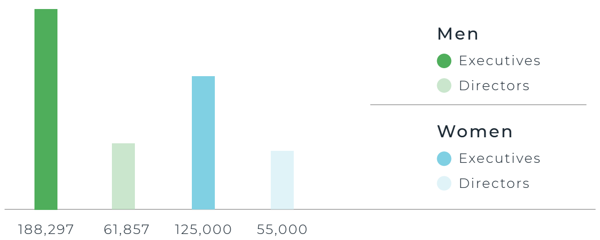
Annexes

Average remuneration (euros)*

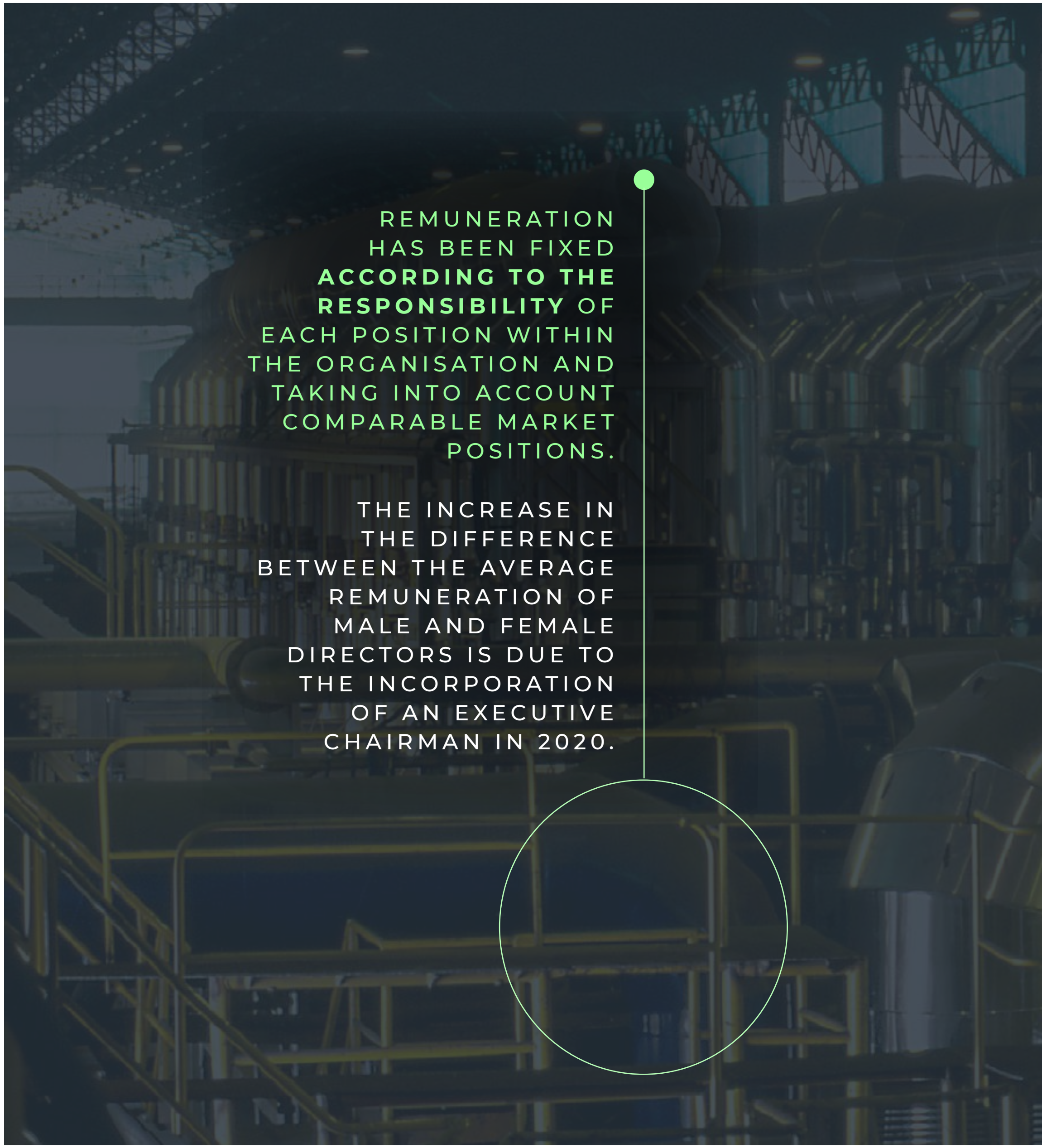
2020



2019



*The average remuneration of the Board of Directors has been calculated based on the amounts paid during the financial year, not including accrual.



REMUNERATION HAS BEEN FIXED **ACCORDING TO THE RESPONSIBILITY** OF EACH POSITION WITHIN THE ORGANISATION AND TAKING INTO ACCOUNT COMPARABLE MARKET POSITIONS.

THE INCREASE IN THE DIFFERENCE BETWEEN THE AVERAGE REMUNERATION OF MALE AND FEMALE DIRECTORS IS DUE TO THE INCORPORATION OF AN EXECUTIVE CHAIRMAN IN 2020.

RISK MANAGEMENT

NEW COMPREHENSIVE RISK MANAGEMENT SYSTEM

Risk management at the Tubos Reunidos Group is driven by the Board of Directors and the Management Team and is intended to provide reasonable assurance in achieving the objectives set out by the Group, providing the various stakeholders and the market in general with an appropriate level of guarantee that reasonably ensures the protection of the value generated.

At the Tubos Reunidos Group, we are exposed to a number of risks inherent in our business and in the markets where we are present, which, if realised, could even affect the attainment of our strategic objectives. Risk management is one of the essential elements that have always been an integral part of our philosophy and culture. In order to deal with the uncertainties inherent in complex scenarios such as those faced on a day-to-day basis, the Group has a Comprehensive Risk Management System that aims to facilitate the correct identification, assessment, management and control of the potential effects thereof.

RESPONSIBILITY FOR CORPORATE RISK MANAGEMENT LIES WITH THE BOARD ITSELF, WHICH

DELEGATES SUPERVISION AND PROPER FUNCTIONING TO THE **AUDIT COMMITTEE, WHICH HAS AN INTERNAL AUDIT AREA FOR THIS PURPOSE**

Comprehensive risk management is essential to ensure compliance with the business strategy. Therefore, our risk management system is fully aligned with our strategic plan.

Given the dynamism of the markets and the sector in which we operate, the Group updates the Corporate Risk Map in detail on an annual basis, adapting the level of tolerance and defining mitigation plans for those risks we consider to be key.

Involve all our staff in risk management

As a result of this update, our approach to risk management in 2020 has included the collaboration of an independent expert to compare and contrast our model with other best practices.

The main components of the Comprehensive Risk Management System are as follows:

- **A Risk Management Policy** that underpins the entire system and establishes a new management methodology.
- **An inventory (Map) of risks** by area and category, with a specific owner for each identified risk.
- **Recurrent updating of the main elements,** obtaining a true picture of the main risks threatening the achievement of objectives.
- **A scorecard with generic and specific KPIs** for the key risks identified.
- **An adaptation of the roadmap and action plan** for the mitigation of key risks in the short and medium term.

Our Comprehensive Risk Management System includes both financial risks (detailed in the financial statements) and non-financial risks, divided into five categories and prioritised into three levels.

We focus on the first level risks, without overlooking the rest, and we continuously monitor them through KPIs. We believe this is essential in order to be able to anticipate the changing environment in which we find ourselves, and to be able to make the most appropriate decisions for the Group.

MAIN NON-FINANCIAL RISKS IDENTIFIED

Strategic risks

Macroeconomic and market developments	Risk linked to possible macroeconomic changes and especially the sector in which we operate; forcing us to be very flexible and adapt to market cycles.
Managing the pandemic	Managing COVID-19 at all levels (human, logistical, economic, etc.) and its effects on the coming year is one of the major risks and challenges facing all companies.

Operational risks

Health and safety of our staff	Inadequate design, implementation and monitoring of Health and Safety policies can put our greatest asset – our staff– at risk.
Quality in products	Excellence in the production process, in order to be able to provide clients with a product with adequate quality standards, is vital in order to maintain the confidence of our clients.
Attracting and retaining talent	The sustainability of our Group and the achievement of our strategic plan depends primarily on having the right people with the right experience and knowledge of the business.
Cybersecurity and information security	The data of our clients and suppliers, as well as that of our production system, is a differential value; its loss or theft is a serious risk.

Governance risks

Group culture and organisation	In order to achieve the new strategic objectives, the Group's values and culture must be conveyed internally and be internalised by each member of our staff.

Compliance risks

Environmental impact	At the Tubos Reunidos Group, we are aware of our impact on the environment. Therefore, one of the main challenges is not only to reduce our negative impact on it, but also to generate a positive impact through our processes and products.

ETHICS AND COMPLIANCE

Our corporate culture is based on ethics, integrity and good governance.

At the Tubos Reunidos Group, our objective is to ensure that employees, directors and all those linked to the Group comply with and conform to current legislation, the corporate governance system and generally accepted ethical and social responsibility principles.

In order to achieve these objectives, our Group has

TOOLS THAT GOVERN THE GROUP'S ETHICAL AND SOCIAL RESPONSIBILITY PRINCIPLES

- Code of Ethical Conduct
- Gifts Policy
- Internal Rules of Conduct and Disciplinary Regime
- Criminal Risk Prevention Model

In September 2020, the Group started a Compliance Project to review and diagnose the Prevention Model and certify its suitability, which entails the review and updating of internal rules by an independent external advisor. The aim is to adapt them to the new regulations and needs of the Group, and complete them if necessary. The project is expected to be completed in the first quarter of 2021.

WHISTLE BLOWING CHANNEL

we have a whistleblowing channel visible on the website, where anyone can report conduct contrary to the Group's principles and values and/or the law.

CHECK THE WHISTLEBLOWER CHANNEL EMAIL ADDRESS

In 2020, a complaint was received through this channel and it was properly managed.

Independent control body

In addition, in order to safeguard and ensure the maintenance of a culture of ethics and compliance, the Tubos Reunidos Group has an Independent Control Body (ICB), composed of:

CHAIRMAN
Secretary of the Board of Directors

MEMBERS
Chairman of the Audit Committee

TR Group Finance and Management Control Director

TR Group Internal Audit Director

SECRETARY
Lawyer from TR Group Legal Advisory Services

The ICB has undergone a review of its structure and functioning and its internal regulations were approved by the Board during 2020.

The ICB ensures the effective functioning of the Compliance Model and compliance with all internal rules that comprise it.

CODE OF CONDUCT AND ETHICAL COMMITMENT

The current Code of Ethical Conduct, approved on 3 May 2016, which is in the process of being reviewed and updated, is mandatory for all members of the Group: directors, executives and employees.

This code encompasses the set of principles, values and rules of conduct that should guide the ethical and responsible behaviour of each and every one of the Company's professionals in the performance of their activities, regardless of their hierarchical level, geographical or functional location, and the company in which they provide their services.

Commitment of our suppliers

In order to spread good practices and responsible behaviour, we ask our suppliers to adhere to the Code of Conduct. Executives have signed an Ethical Commitment which reinforces the obligations already imposed on them by internal regulations.

CRIMINAL RISK PREVENTION MODEL

At the Tubos Reunidos Group, we are aware of the importance of good criminal risk management, as this makes it possible to identify and mitigate, as far as possible, the possibility of crimes being committed within the Group. This is why we have had a Criminal Liability Prevention Model approved since 2016.

This Model has undergone an in-depth analysis and update during the 2020 financial year, which will culminate in the first quarter of 2021. As a result of this review:

- **A Criminal Risk Prevention and Compliance Policy is being developed** to demonstrate the highest level of commitment of the Group, the Board and Senior Management in this area, thus demonstrating the "Leadership and Commitment" required by the UNE 19601 Standard.
- **The Criminal Risk Prevention and Compliance Manual is being modified,** providing it with an updated structure and content in line with the UNE 19601 Standard.
- **The compliance risk assessment and prioritisation methodology is being updated** to include probability, impact and take into account the current level of management.
- **A matrix with risks and controls is being finalised to mitigate criminal risks,** associating performance indicators with them and encompassing them in an Annual Plan for testing.

AT THE TUBOS REUNIDOS GROUP, WE ARE AWARE OF THE IMPORTANCE OF GOOD CRIMINAL RISK MANAGEMENT

AS THIS MAKES IT POSSIBLE TO IDENTIFY AND MITIGATE, AS FAR AS POSSIBLE, THE POSSIBILITY OF CRIMES BEING COMMITTED WITHIN THE GROUP.

ANTI-CORRUPTION AND BRIBERY MEASURES

The Group declares its rejection and prohibits any conduct related to bribes and/or similar practices both to individuals and to public authorities and officials, expressly prohibiting any unethical behaviour or behaviour likely to influence the will of persons outside the organisation in order to obtain any benefit, advantage or consideration.

In this context, and taking into account the sector in which we do business, we take the necessary measures, paying particular attention to:

SEGREGATION OF FUNCTIONS

Rstablishing adequate **segregation of duties** at all hierarchical levels of the Group.

ACCOUNTING SAFEGUARDS

Ensuring that all payments and transactions are **properly accounted** for in the company's accounts

PREVENT MONEY LAUNDERING

Preventing money laundering with a robust and up-to-date financial information control system.

CONTROL OF TRANSACTIONS

Having specific controls over large or unusual economic transactions, as well as over unforeseen extraordinary payments or collections or those made to bank accounts/entities opened in tax havens, verifying at all times the real identity of the person making the payment and the characteristics of the transaction, among other things.

PROHIBITION OF GIFTS

Expressly prohibiting the acceptance or delivery of gifts in exchange for a business, contract or any other exchange of activity.

FAIR AGREEMENTS

Prohibiting antitrust practices, defined as agreements or business practices between two or more companies to promote dominance or restrict competition.

CONTRIBUTIONS TO POLITICAL PARTIES

In the Group, **we make no direct or indirect donations or contributions to political parties or organisations**, their representatives or candidates

PREVENTION OF MONEY LAUNDERING

The Group is fully committed to compliance with Law 10/2010 of 28 April on the Prevention of Money Laundering and the Financing of Terrorism, and specifically includes the offence of money laundering under Article 301 of the current Criminal Code in the "Catalogue of Offences" of its Criminal Liability Prevention Plan. According to the specific analysis carried out, the level of risk prior to the Plan of Measures is moderate and of low probability. As a consequence of the adoption of this Plan, the final risk of this crime is reduced and becomes tolerable, with a minimum probability of commission.

HUMAN RIGHTS

The Tubos Reunidos Group is firmly committed to respecting human rights, not only for its employees, but also for all those who have a direct or indirect relationship with the Group. This is why at the Tubos Reunidos Group, we are committed to applying the contents of the Universal Declaration of Human Rights, the United Nations Global Compact and other conventions and treaties of international organisations such as the Organisation for Economic Co-operation and Development and the International Labour Organisation.

Code of Ethics

The Tubos Reunidos Group's human rights due diligence is based on its Code of Ethical Conduct, which is constantly updated and contains clauses on human rights. Compliance with this Code is mandatory for all members of the Group. In the event of any non-compliance, as explained in the section on Ethics and Compliance, there is a whistleblowing channel on the website where anyone can inform the Group of a potential human rights violation.

LINK TO THE WHISTLEBLOWING CHANNEL.

CONSULT THE WHISTLEBLOWING CHANNEL ADDRESS.

Likewise, due to our commitment to local development, the Group's production centres are located in Spain and the United States, where respect for human rights is ensured by both labour regulations and collective bargaining agreements.

Similarly, the fact that a large part of the supply chain is national or European means that compliance with human rights is a reality in all the Group's actions. In any case, our suppliers must adhere to the Group's Code of Ethical Conduct.

In 2020 and 2019, no complaints were received for human rights violations.

TAX STRATEGY OF TUBOS REUNIDOS GROUP

At the Tubos Reunidos Group we are aware of the impact of good tax management on the economic stability of the countries and local populations in which we operate. With the aim of complying with applicable legislation, as well as being responsible towards our stakeholders, we have a Corporate Tax Policy.

The Policy was approved in 2018 by the Audit Committee. Since then, it has been reviewed and updated annually by the same body. The Group's Economic Department is the executive department in charge of ensuring compliance with it, referring material issues to the Management Committee. The associated risks are dealt with on a monthly basis by the Group's tax team, relying on external advisors for the most relevant issues.

At the Tubos Reunidos Group, we are committed to creating long-term sustainable value for our stakeholders (clients, employees, shareholders, suppliers and society in general). To achieve this, our tax policy is based on the following principles:

OUR TAX POLICY PRINCIPLES

- **Application of and compliance with the tax regulations** applicable in all the territories in which we operate.
- **Promotion of responsible tax action**, which prevents tax risk through efficient and transparent management.
- **Maintaining a relationship with the tax authorities** based on the principles of good faith, collaboration and transparency.
- Assurance that the **Board of Directors is aware of the tax implications of all its decisions.**

The Tubos Reunidos Group maintains regular communication with the Provincial Council of Álava, the competent administration in relation to the parent company and the Tax Group comprising the main production plants, in order to deal with any issues that may have a tax impact, or to make the necessary enquiries to ensure proper compliance with tax obligations.

Among the Group companies, only one of them has made payments to its respective tax authorities for corporate income tax, as the other companies, given the results obtained, have not incurred any tax payables. Specifically, 4000 euro were paid in 2020 (12,000 euro in 2019).

Otros indicadores a destacar (en miles de euros)

	2020	2019
Results before taxes		
in Spain	-75,521	-20,430
in the USA	-22,391	-18,608
Tax on profits paid		
in Spain	4	12
in the USA	-	-
Public subsidies received		
in Spain	2,617	2,599
in the USA	1,229	-

The Group's companies receive grants for the execution of R&D+I projects. The sums received for these items in Spain are listed in the table below, expressed in thousands of euro:

Subsidies and loans for investments and R&D+I (in thousands of euro)

	2020	2019
Subsidies for R+D+I projects	234	195
Subsidies for CO_2* emission allowances	2,814	2,140
Other subsidies	3,612	2,236
Investment loans	-	168

*Emission allowances are monetised at the starting price of each year according to $SendeCo_2$.

286 M€

THE ECONOMIC VALUE DISTRIBUTED IN FINANCIAL YEAR 2020

THE INCREASE IN OUR INVESTMENT SUBSIDIES IS A CLEAR REFLECTION OF THE INVESTMENT COMMITMENT WE ARE MAKING IN THE GROUP TO BE AT THE FOREFRONT OF INNOVATION.

FOR FURTHER INFORMATION, CONSULT ANNUAL ACCOUNTS IN OUR WEBSITE

ANNEXES

ANNEX 1

SUPPLEMENTARY INFORMATION ON EMPLOYEES

Average annual contracts by gender

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Men	**1,011**	**60**	1,170	54
Women	**105**	**10**	109	10

Average annual contracts by age

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Under 30 years old	**22**	**17**	42	16
Between 30 and 50 years old	**863**	**51**	988	41
Over 50 years old	**231**	**2**	249	7

Average annual contracts by professional category

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
White Collar	**225**	**18**	252	14
Blue Collar	**746**	**52**	874	50
Fuera de Convenio	**145**	**-**	153	-

Average annual number of contracts by professional category, by age and by gender

	Men	Women	Under 30 years old	Between 30 and 50	Over 50 years old	White collar	Blue Collar	Non-union
2020	**8**	**5**	**-**	**6**	**7**	**4**	**8**	**1**
2019	10	6	-	5	11	5	9	2

Ratio of company minimum wage compared to minimum wage[1]

	2020		2019	
	Company minimum wage	Ratio	Company minimum wage	Ratio
TRSA	**28,000**	**2.11**	30,615	2.43
TRI	**29,529**	**2.22**	29,529	2.34
PT	**29,669**	**2.23**	29,669	2.35
TRPT	**19,916**	**1.50**	16,000	1.27
ACECSA	**25,161**	**1.89**	23,944	1.90
TR SERVICES	**20,368**	**1.53**	13,006	1.03

[1] In the case of Tubos Reunidos Services, the ratio has been calculated taking as a reference the figure of the lowest salary of the two provincial agreements that apply (Barcelona and Cádiz). RDT and Tubos Reunidos de America, not listed in the table, are governed by Texas state law, which stipulates a minimum wage of USD 7.25/hour, with us applying a $12/hour minimum wage for a low-skilled, inexperienced position.

Absolute turnover rate[2]

	2020	2019
Men	**10%**	4%
Women	**7%**	1%
Under 30 years old	**26%**	3%
Between 30 and 50 years old	**6%**	2%
Over 50 years old	**22%**	7%

[2] The absolute turnover rate has been calculated using the following formula: Absolute turnover rate = (Total departures from Group during financial year/Total permanent workers in the Group) x 100.

Number of dismissals by gender, age, professional category

	2020	2019
Men	**73**	5
Women	**6**	1
Under 30 years old	**10**	-
Between 30 and 50 years old	**41**	6
Over 50 years old	**28**	-
White Collar	**13**	2
Blue Collar	**64**	3
Non-union	**2**	1

Training hours by professional category

	2020		2019	
	Total hours	Average per worker	Total hours	Average per worker
White Collar	**2,228**	**9.2**	2,940	10.62
Blue Collar	**4,086**	**5.1**	9,305	9.37
Non-union	**655**	**4.5**	4,484	27.84

Number of courses by area

	2020	2019
Master's degree	**1**	9
Technical courses	**30**	68
Development courses	**10**	10
Quality courses	**16**	29
Courses on non-destructive testing	**7**	26
OHS courses	**41**	63

Number of prevention officers

	2020		2019	
	Men	Women	Men	Women
TRI	**5**	**-**	5	-
PT	**3**	**-**	3	-
RDT	**-**	**-**	3	-
TRPT	**2**	**-**	2	-
ACECSA	**1**	**-**	1	-
TRAME	**-**	**-**	-	-
TOTAL	**11**	**-**	**14**	**-**

Impacts on health and safety — 2020

	WHITE COLLAR		BLUE COLLAR		TOTAL PLANTILLA PROPIA	CONTRATAS	
	Hombres	Mujeres	Hombres	Mujeres		Hombres	Mujeres
N° accidents with leave	5	-	88	-	**93**	22	-
N°. accidents without leave	9	1	125	1	**136**	47	-
Total n° accidents	14	1	213	1	**229**	69	-
N° commute accidents	2	-	3	-	**5**	-	-
N° occupational illnesses declared	-	-	-	-	**-**	-	-
Death due to occupational accident	1	-	-	-	**1**	1	-
N° of days lost	17	-	2,073	-	**2,090**	-	-
N° of hours worked	448,447	145,573	1,193,694	22,434	**1,810,178**	145,877	24,960
Frequency index (FI)* or frequency rate (FR)	11.15	-	73.72	-	**51.38**	150.81	-
Severity index (SI)** or lost days rate (LDR)	0.04	-	1.74	-	**1.15**	-	-

* Frequency index: accidents with leave x 1,000,000/number of hours worked.
* * Severity index: number of days lost due to accident with leave x 1000/number of hours worked.

Impacts on health and safety — 2019

	WHITE COLLAR		BLUE COLLAR		
	Hombres	Mujeres	Hombres	Mujeres	**TOTALES**
Nº accidents with leave	-	-	76	-	**76**
Nº accidents without leave	6	1	150	1	**158**
Total nº accidents	6	1	226	1	**234**
Nº commute accidents	-	-	7	-	**7**
Nº days lost	-	-	2,378	-	**2,378**
Nº of hours worked	427,879	143,653	1,343,897	29,073	**1,944,501**
Frequency index (FI)* or frequency rate (FR)	-	-	56.55	-	**39.08**
Severity index (SI)** or lost days rate (LDR)	-	-	1.77	-	**1.22**

* Frequency index: accidents with leave x 1,000,000/number of hours worked.
* * Severity index: number of days lost due to accident with leave x 1000/number of hours worked.

ANNEX 2

ADDITIONAL ENVIRONMENTAL INFORMATION

Breakdown of consumption of renewable and non-renewable materials

Renewable materials

59,348
2020

263,515
2019

Non-renewable materials

170,315
2020

91,767
2019

Water abstraction by source (ML)

2020			
Freshwater*	Fresh groundwater	Municipal water supply	**TOTAL**
66.2	19.5	197.9	**283.6**

* Fresh: total dissolved solids better than or equal to 1000mg/l

Total water consumption (ML)

255
2020

Water discharges

2020						
Water discharges to watercourse (m³)	**Total water discharges by destination**	Surface water	Water to third parties	**Total water discharges by freshwater or other water**	Freshwater*	Other water**
102,039	**127.7**	102.0	25.7	**283.6**	30.6	22

*Dulce: total de sólidos disueltos menor o igual a 1000mg/l
** Other water: total dissolved solids greater than 1000mg/l

Breakdown of water consumption by company and source type

	2019		
	Surface water abstracted (m³)	Groundwater abstracted (m³)	Municipal water supply (m³)
PT	-	-	132,478
TRI	104,580	-	70,246
TRPT	-	-	521
RDT	-	26,464	-
ACECSA	-	-	6,239
TOTAL	**104,580**	**26,464**	**209,484**

Recycled and reused water (m³)

	2019
PT	8,940,338
TRI	11,337,280
TRPT	-
RDT	-
ACECSA	-
TOTAL	**20,277,618**

Water discharge

	2019		
	Water discharges to watercourse (m³)	Water discharges to collector (m³)	Total water discharges (m³)
PT	7,208	19,464	26,672
TRI	75,148	-	75,148
TRPT	-	521	521
RDT	-	-	-
ACECSA	-	3,904	3,904
TOTAL	**82,356**	**23,889**	**106,245**

THE DATA ASSOCIATED WITH "WATER" FOR THE 2020 AND 2019 FINANCIAL YEARS ARE NOT COMPARABLE, AS THE INFORMATION FOR THE 2020 FINANCIAL YEAR IS BEING PROVIDED ON THE BASIS OF THE UPDATED GRI STANDARD, WHICH CAME INTO FORCE ON 1 JANUARY 2021. SEE ANNEX 3.

Breakdown of energy consumption by company and source type

NON-RENEWABLE SOURCES (MWH)

COMPANY	2020	2019	2018
PT	**91,769**	1110,061	82,750
TRI	**161,733**	222,639	264,434
TRPT	**343**	307	906
RDT	**7,538**	8,875	11,374
ACECSA	**3,138**	3,411	3,240
TOTAL	**264,521**	345,293	362,704

For this calculation, the consumption of natural gas has been considered as it is the most relevant fossil fuel used. No fuels of renewable origin, such as biofuels or biomass, are used.

ELECTRICITY CONSUMPTION (MWH)

COMPANY	2020	2019	2018
PT	**58,195**	69,475	57,489
TRI	**104,601**	157,354	195,521
TRPT	**1,031**	1,539	1,393
RDT	**10,832**	14,995	17,954
ACECSA	**1,151**	1,135	1,049
TOTAL	**175,810**	244,498	273,406

Breakdown of waste management by company

HAZARDOUS WASTE

	2020			2019		
COMPANY	Hazardous waste recycling (t)	Hazardous waste recovery (including energy recovery) (t)	Hazardous waste dumping (t)	Hazardous waste recycling (t)	Hazardous waste recovery (including energy recovery) (t)	Hazardous waste dumping (t)
PT	**8**	**833**	**604**	17	862	685
TRI	**-**	**1,477**	**1,676**	-	2,745	1,950
TRPT	**-**	**-**	**11**	-	-	16
RDT	**-**	**-**	**26**	-	-	-
ACECSA	**-**	**121**	**87**	-	171	95
TOTAL	**8**	**2,431**	**2,404**	17	3,778	2,746

NON-HAZARDOUS WASTE

	2020				2019			
COMPANY	Non-hazardous waste reuse (t)	Non-hazardous waste recycling (t)	Non-hazardous waste dumping (t)	Other non-hazardous waste management (t)	Non-hazardous waste reuse (t)	Non-hazardous waste recycling (t)	Non-hazardous waste dumping (t)	Other non-hazardous waste management (t)
PT	**858**	**9,875**	**191**	**51,441**	19	15,417	882	59,870
TRI	**2,155**	**25,555**	**4,487**	**24,738**	3,338	49,506	5,420	36,507
TRPT	**-**	**-**	**8**	**-**	-	-	-	20
RDT	**-**	**-**	**-**	**-**	-	-	-	-
ACECSA	**-**	**-**	**1**	**-**	-	-	4	-
TOTAL	**3,013**	**35,430**	**4,687**	**76,179**	3,357	64,923	6,306	96,397

Details of GHG Emission Controls by company, scope and intensity

DIRECT EMISSIONS (SCOPE 1) — T CO_2 UNITS

COMPANY	2020	2019	2018
PT	**19,337**	23,208	17,839
TRI	**32,550**	46,166	56,019
TRPT	**63**	56	167
RDT	**1,387**	1,633	2,096
ACECSA	**577**	628	597
TOTAL	**53,915**	71,691	76,718

INDIRECT EMISSIONS FROM ENERGY GENERATION (SCOPE 2) — T CO_2 UNITS

COMPANY	2020	2019	2018
PT	**11,639**	18,758	16,097
TRI	**20,920**	42,486	54,746
TRPT	**206**	416	390
RDT	**4,653**	6,722	8,541
ACECSA	**230**	306	294
TOTAL	**37,649**	68,688	80,067

EMISSIONS INTENSITY — T CO_2UNITS/T PRODUCT

COMPANY	2020	2019	2018
PT	**0.61**	0.70	0.67
TRI	**0.54**	0.50	0.48
TRPT	**0.06**	0.08	0.05
RDT	**0.22**	0.23	0.21
ACECSA	**0.27**	0.28	0.24

Other emissions[3]

2020

COMPANY	NO_x (kg)	SO_x (kg)	COV (kg)	HAP (kg)	PM10 (kg)	Otras (kg)
PT	47,272	4,520	4,004	1.71	3,770	9.103×10^{-7}
TRI	42,467	8,404	4,,050	5.78	21,771	2.180×10^{-12}
TRPT	-	-	-	-	-	-
RDT	-	-	-	-	-	-
ACECSA	1,129	4	-	-	9	-
TOTAL	**90,868**	**12,928**	**8,087**	**7.49**	**25,550**	**9.103×10^{-7}**

2019

COMPANY	NO_x (kg)	SO_x (kg)	COV (kg)	HAP (kg)	PM10 (kg)	Otras (kg)
PT	45,699	8,669	6,330	2.06	11,816	1.326×10^{-6}
TRI	60,609	12,762	4,987	5.27	35,440.79	3.360×10^{-12}
TRPT	-	-	-	-	-	-
RDT	-	-	-	-	-	-
ACECSA	1,228	5	37	-	10	-
TOTAL	**107,536**	**21,436**	**11,354**	**7.33**	**47,267**	**1.326×10^{-6}**

(3) In the absence of such measurements, as they are not mandatory this financial year, they have been estimated on the basis of the latest assessments carried out (reported to the administration in the E-PRTR 2018 report) and the operating hours in 2020.

ANNEX 3

REPORT PARAMETERS

This Statement of Non-Financial Information (SNFI) forms part of the Tubos Reunidos Group's Management Report, and includes information in the Environmental, Social and Governance (ESG) area, in accordance with the results obtained in the materiality analysis carried out in 2020.

It covers the period from 1 January to 31 December 2020. The information contained herein for the financial year 2019 is presented for comparative purposes with the information for the financial year 2020. In this regard, the Group has not been obliged to restate any information from previous years.

This Statement of Non-Financial Information has been drawn up in accordance with the contents of the current business regulations and following selected criteria of the Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as those other criteria described in accordance with what is mentioned for each subject in the "Table of contents of Law 11/2018".

Scope of included entities

The Tubos Reunidos Group is made up of the parent company, Tubos Reunidos, S.A., with registered offices for tax and corporate purposes in Amurrio (Álava), and its subsidiaries.

With regard to environmental information, this report includes all the industrial companies that make up the Group, as they are those that have a significant impact on these indicators, except for those indicators that indicate otherwise, in which case the specific indicator is specified. The remaining information includes all the companies that make up the Group.

The following are the subsidiaries of Tubos Reunidos, S.A. (T.R.):

COMPANY	Activity	%	Company of the holding group
Tubos Reunidos Industrial S.L.U. (TRI)	Industrial	100	T.R.
Productos Tubulares S.A.U. (PT)	Industrial	100	T.R.
Aceros Calibrados S.A.U. (ACECSA)	Industrial	100	T.R.
Tubos Reunidos Premium Threads S.L. (TRPT)	Industrial	51	T.R.
T.R. America Inc. (TRAME)	Marketing	100	T.R.
Clima S.A.U. (CLIMA)	Holding company	100	T.R.
Aplicaciones Tubulares S.L.U. (ATUCA)	Holding	100	T.R.
RDT Inc.	Industrial	100	ATUCA
Tubos Reunidos Services S.L.U. (TRSV)	Industrial/Real Estate	100	T.R.

Table of contents of Law 11/2018

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Business model		
Description of the business model	GRI 102-1, GRI 102-2, GRI 102-5, GRI 102-7, GRI 102-16	02. Tubos Reunidos Group
	GRI 102-14	0.1 Letter from the Chairman
	GRI 102-3, GRI 102-45	Annex 3
Organisation and structure	GRI 102-18, GRI 102-20, GRI 102-22, GRI 102-23, GRI 102-24, GRI 102-16	08. Good Corporate Governance
Geographical presence	GRI 102-4, GRI 102-6	02. Tubos Reunidos Group
Objectives and strategies	GRI 102-14, GRI 102-15	01. Letter from the Chairman 02. Tubos Reunidos Group 08. Good Corporate Governance
Main factors and trends affecting future developments	GRI 102-15	02. Tubos Reunidos Group 08. Good Corporate Governance
Strategy and risk management		
Description of the policies that the company applies	GRI 102-35, GRI 103-1, GRI 103-2	04. The people in the Tubos Reunidos Group 05. Focusing efforts on promoting a safe working environment 06. Global value chain 08. Good Corporate Governance
Results of the policies that the company applies	GRI 103-3	04. The people in the Tubos Reunidos Group 05. Focusing efforts on promoting a safe working environment 06. Global value chain 08. Good Corporate Governance
Main risks related to issues linked to the company's activities	GRI 102-15	02. Tubos Reunidos Group 08. Good Corporate Governance
Non-financial information report profile		
Reporting Framework Used	GRI standards	Annex 3
Materiality assessment	GRI 102-46, GRI 102-47	03. Committed to our stakeholders

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Environmental issues		
Environmental management		
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	GRI 102-15, GRI 102-29, GRI 102-31, GRI 103-3, GRI 308-2	06. Global value chain 08. Good Corporate Governance
Environmental assessment or certification procedures	GRI 102-11, GRI 102-29	06. Global value chain
Resources dedicated to the prevention of environmental risks	GRI 102-29	06. Global value chain
Application of the precautionary principle	GRI 102-11	06. Global value chain
Amount of provisions and guarantees for environmental risks	GRI 307-1	06. Global value chain
Pollution		
Measures to prevent, reduce or offset carbon emissions that seriously affect the environment. Any other form of air pollution	GRI 103-2, GRI 302-4	06. Global value chain
	GRI 305-6, GRI 305-7	Annex 2
Circular economy and waste prevention and management		
Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste	GRI 103-2, GRI 301-1, GRI 301-2, GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4	06. Global value chain Annex 2
Actions to combat food waste		As per section 03. Committed to our stakeholders, food waste has not been considered material in the Group.
Sustainable use of resources		
Water consumption and water supply according to local constraints	GRI 303-3, GRI 303-4, GRI 303-5	06. Global value chain Annex 2
Consumption of raw materials	GRI 103-2, GRI 301-1, GRI 301-2	06. Global value chain Annex 2
Direct and indirect energy consumption. Measures to improve energy efficiency. Use of renewable energies	GRI 103-2, GRI 302-1, GRI 302-3, GRI 302-4	06. Global value chain Annex 2
Climate change		
Greenhouse gas emissions	GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4	06. Global value chain Annex 2
Measures taken to adapt to the consequences of climate change. Greenhouse gas reduction targets	GRI 103-2, GRI 201-2, GRI 305-5	06. Global value chain Annex 2

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Environmental issues		
Biodiversity		
Measures to preserve or restore biodiversity	GRI 103-2, GRI 304-2, GRI 304-3	06. Global value chain Annex 2
Impacts caused by activities or operations in protected areas	GRI 303-3, GRI 304-1, GRI 304-2, GRI 304-3, GRI 306-5	06. Global value chain Annex 2
Social and staff-related issues		
Employment		
Total number and breakdown of employees by gender, age, country and professional category	GRI 102-7, GRI 102-8, GRI 405-1b	04. The people in the Tubos Reunidos Group
Total number and breakdown of employment contract types	GRI 102-8	04. The people in the Tubos Reunidos Group
Average annual number of permanent, temporary and part-time contracts by gender, age and occupational classification	GRI 102-8	04. The people in the Tubos Reunidos Group Annex 1
Number of dismissals by gender, age and professional category	GRI 401-1	04. The people in the Tubos Reunidos Group Annex 1
Average remuneration and its trends broken down by gender, age and professional category or equal value	GRI 201-3, GRI 202-1, GRI 405-2	04. The people in the Tubos Reunidos Group
Wage gap	GRI 405-2	04. The people in the Tubos Reunidos Group
Remuneration of equal or average jobs in the company	GRI 202-1	Annex 1
Average remuneration of directors and executives	GRI 102-35, GRI 102-36, GRI 102-37, GRI 405-2	0.8 Good Corporate Governance
Implementation of work disconnection policies	GRI 401-2	04. The people in the Tubos Reunidos Group
Employees with disabilities	GRI 405-1	04. The people in the Tubos Reunidos Group
Organisation of the work		
Organisation of working time	GRI 103-2, GRI 102-41	04. The people in the Tubos Reunidos Group
Number of hours of absenteeism	GRI 403-9a Injuries from occupational accidents	04. The people in the Tubos Reunidos Group
Measures to facilitate work-life balance	GRI 401-2, GRI 401-3	04. The people in the Tubos Reunidos Group Annex 1

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Social and staff-related issues		
Health and safety		
Conditions of health and safety at work	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7	05. Focusing efforts on promoting a safe working environment
Occupational accidents (frequency and severity) broken down by gender	403.9a-b Injuries from occupational accidents	05. Focusing efforts on promoting a safe working environment Annex 1
Occupational illnesses broken down by gender	403.10a Occupational ailments and illnesses	05. Focusing efforts on promoting a safe working environment Annex 1
Social relations		
Organisation of social dialogue	GRI 102-41, GRI 403-1, GRI 201-3	04. The people in the Tubos Reunidos Group
Percentage of employees covered by collective bargaining agreement by country	GRI 102-41	04. The people in the Tubos Reunidos Group Annex 1
Review of collective agreements, particularly in the field of occupational health and safety	GRI 403-1	
Training		
Policies implemented in the field of training	GRI 404-2, GRI 404-3	04. The people in the Tubos Reunidos Group
Total number of hours of training by professional category	GRI 404-1	04. The people in the Tubos Reunidos Group Annex 1
Universal accessibility for persons with disabilities	GRI 405-1	04. The people in the Tubos Reunidos Group
Equality		
Measures adopted to promote equal treatment and opportunities between men and women	GRI 401-3, GRI 405-1, GRI 405-2	04. The people in the Tubos Reunidos Group
Equality plans and measures taken to promote employment	GRI 405-1	02. Tubos Reunidos Group 04. The people in the Tubos Reunidos Group
Protocols against sexual and gender-based harassment	GRI 405-1	04. The people in the Tubos Reunidos Group
Integration and universal accessibility for persons with disabilities	GRI 405-1	04. The people in the Tubos Reunidos Group
Anti-discrimination and, where appropriate, diversity management policy	GRI 406-1	04. The people in the Tubos Reunidos Group

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Information on respect for human rights		
Application of due diligence procedures in human rights	GRI 102-12, GRI 102-16, GRI 102-17. GRI 410-1, GRI 412-1, GRI 412-2	08. Good Corporate Governance
Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and remedy possible abuses committed	GRI 102-17, GRI 412-12, GRI 412-13, GRI 414-1, GRI 414-1	08. Good Corporate Governance
Claims for cases of human rights violations	GRI 102-17, GRI 406-1, GRI 408-1, GRI 409-1	08. Good Corporate Governance
Promotion and enforcement of the provisions of the ILO core conventions relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour	GRI 407-1, GRI 414-1, GRI 406-1, GRI 409-1, GRI 408-1	08. Good Corporate Governance
Information related to the fight against corruption and bribery		
Measures taken to prevent corruption and bribery	GRI 102-16, GRI 102-17, GRI 102-25, GRI 205-1, GRI 205-2, GRI 205-3, GRI 206-1, GRI 415-1	08. Good Corporate Governance
Measures to fight money laundering	GRI 102-16, GRI 205-3	08. Good Corporate Governance
Contributions to foundations and non-profit entities	GRI 201-1	02. Tubos Reunidos Group
Information on society		
Commitments of the company to sustainable development		
Impact of the company's activity on local development and employment	GRI 204-1, GR 203-1, GRI 413-1	02. Tubos Reunidos Group
Impact of company activity on local communities and territory	GRI 413-1, GRI 413-2	02. Tubos Reunidos Group
Relationships with local community players and means of dialogue with them	GRI 102-43, GRI 102-12, GRI 413-1	02. Tubos Reunidos Group 03. Committed to our stakeholders
Association and sponsorship actions	GRI 102-13	02. Tubos Reunidos Group

CONTENTS OF LAW 11/2018 ON 11/2018 NFI	STANDARD USED	SECTION OF THE SNFI
Information on society		
Subcontracting and suppliers		
Inclusion of social, gender equality and environmental issues in the procurement policy	GRI 120-16, GRI 308-1, GRI 414-1	06. Global value chain
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 102-9, GRI 204-1, GRI 308-1, GRI 414-1	06. Global value chain
Monitoring and audit systems and audit results	GRI 308-2, GRI 407-1, GRI 408-1, GRI 409-1, GRI 414-1 GRI 414-2	06. Global value chain
Consumers (our clients)		
Consumer health and safety measures	GRI 416-1, GRI 417-1	06. Global value chain
Complaint systems, complaints received and their resolution	GRI 416-2, GRI 416-8	06. Global value chain
Tax information and transparency		
Profits obtained country	GRI 207-1, GRI 207-2, GRI 207-3 GRI 207-4b.vi	08. Good Corporate Governance
Tax on profits paid	GRI 207-1, GRI 207-2, GRI 207-3 GRI 207-4b.viii	08. Good Corporate Governance
Public subsidies received	GRI 201-4	08. Good Corporate Governance

Edited in Spain, March 2021 | **Design and layout** Laura Fernández y Laura Hoyal

TUBOS REUNIDOS, S.A. AND DEPENDENT COMPANIES

Independent Assurance Report of the Consolidated Non-Financial Information Statement for the year ended December 31, 2020

Building a better
working world

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Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

INDEPENDENT LIMITED ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

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

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Information Statement (hereinafter NFS) for the year ended December 31, 2020, of de Tubos Reunidos, S.A. and dependent companies (hereinafter, the Group), which is part of the Consolidated Management Report of the Group.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information statement that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the “Table of contents of Law 11/2018” of the accompanying NFS.

Responsibility of the Board of Directors

The preparation of the NFS included in the Consolidated Management Report of the Group and its content is the responsibility of the Board of Directors of Tubos Reunidos, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in the in the “Table of contents of Law 11/2018” of the accompanying NFS.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

The Board of Directors of Tubos Reunidos, S.A. are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information Statement and, specifically, in information about economic, social and environmental performance.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.
A member firm of Ernst & Young Global Limited.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with the Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analyzing the scope, relevance and integrity of the content included in the 2020 NFS based on the materiality analysis made by the Group and described in chapter “Materiality assessment”, considering the content required by prevailing mercantile regulations.
- Analyzing the processes for gathering and validating the data included in the 2020 NFS.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2020 NFS.
- Checking, through tests, based on a selection of a sample, the information related to the content of the 2020 NFS and its correct compilation from the data provided.
- Obtaining a representation letter from the Management.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group NFS for the year ended December 31, 2020 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the "Table of contents of Law 11/2018" of the NFS.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

____
Alberto Castilla Vida

April 30, 2021

The Directors of the Company **"TUBOS REUNIDOS, S.A."** with CTC number A/48/011555 and registered office in Amurrio (Álava), in accordance with Article 253 of the Consolidated Spanish Companies Act, formulated the consolidated annual accounts and the consolidated management report of **TUBOS REUNIDOS, S.A. AND SUBSIDIARIES** for financial year 2020, all of which is detailed and identified as indicated below:

Consolidated annual accounts:

- Table of contents
- Consolidated balance sheet
- Consolidated profit and loss account
- Consolidated statement of comprehensive income
- Consolidated statement of changes in net equity
- Consolidated cash flow statement
- Notes to the consolidated annual accounts

Consolidated management report

Annual corporate governance report (ACGR)

Statement of non-financial information

Furthermore, the directors of the Company state that, to the best of their knowledge, the consolidated financial statements prepared in accordance with the applicable accounting principles give a true and fair view of the assets and liabilities, financial position and results of the issuer and the undertakings included in the consolidation taken as a whole, and that the consolidated management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For all intents and purposes, and as an introduction to the aforementioned accounts and report, the following persons sign this document:

Mr Francisco Irazusta Rodríguez
(Executive Chairman)

Mr Emilio Ybarra Aznar
(Deputy Chairman – Proprietary Director)

Mr Jorge Gabiola Mendieta
(Coordinating Director - Independent)

Mr Alfonso Barandiarán Olleros
(Proprietary Director)

Mr Enrique Migoya Peláez
(Proprietary Director)

Ms Ana Muñoz Beraza
(Independent Director)

Mr Jesus Pérez Rodriguez-Urrutia
(Director - Other External Director)

Mr Juan María Román Gonçalves
(Independent Director)

Mr Cristóbal Valdés Guinea
(Proprietary Director)

Ms Leticia Zorrilla de Lequerica Puig
(Proprietary Director)

Amurrio (Álava), Spain on 25 March 2021