

ANNUAL REPORT 2018

TUBOS REUNIDOS GROUP

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Addresses of the TUBOS REUNIDOS GROUP ANNUAL REPORT 2018

Letter to the shareholders



Chairman **Mr Jorge Gabiola Mendieta**

Dear shareholders:

The 2018 financial year was the second consecutive year of the path to recovery that TUBOS REUNIDOS began in 2017 after the deep crisis it went through in 2015 and 2016. Our investment effort and improvement of strategic positioning have allowed us to attain the sales level we had before the plummet in the oil price and together with the positive results obtained by carrying out our TRansforma | 360° plan, to increase our EBITDA by 58 percent with regards to the 2017 levels.

Although 2018 was a year of progress, the results were affected by an hugely complex environment for the undertaking and evolution of the business lines of the GROUP, as a consequence of the global trade war, the imposition of protectionist measures with the application of Section 232 in the USA and new tensions in the oil price in the last quarter.

Thus, 2018 included two periods that should be differentiated.



Managing Director **Mr Carlos López de las Heras**

First semester of 2018

In the first semester, the oil and gas drilling and production activity was strong, especially in the *shale fields* in the USA, a market in which the average number of active drilling platforms (*rigs*) increased by 23 percent in comparison with the same period in the previous year. TUBOS REUNIDOS captured this growth, with a 24 percent increase in sales in North America, supported by the consolidation of our local manufacturing in RDT and our greater value proposal of OCTG piping, with local service and technologically advanced products that allowed our clients to obtain improvements in productivity and efficiency. This growth offset the lower income in other segments.

In this market context, in the first semester of the year the GROUP obtained an EBITDA of \in 14.4m, equivalent to 8.3 percent of turnover.

Second semester of 2018

The positive trend of the semester was affected by the entry into force on the 1st of June 2018 of the imposition of quotas and 25 percent duties on the imports of steel and aluminium from the European Union to the United States, a market that overall represented close to 50 percent of our seamless steel pipe sales, with the consequent impact on volumes and profitability. These measures led to a 17 percent reduction in the imports of seamless steel pipes to the United States in 2018.

Similarly, the imposition of the referred protectionist measures by the United States has had indirect effects in other markets such as the European one, with a significant increase of the imports of seamless steel pipes sourced for countries with a quota in the United States.

It should be pointed out that in 2018 temporary safeguarding measures were imposed to steel imports in Europe, in which seamless steel pipes were excluded, although in 2019, in the final measures approved effective as from the 4th of February, they were included.

This import duties cost situation in our main market and the ensuing trade tensions, together with the drop in the oil price as from October and its effect on a more cautious approach by the operators in their investment plans, affected our EBITDA in the second semester, which dropped to \notin 4.2m, equivalent to 2.5 percent of sales.

Financial year 2018 overall

For the financial year as a whole and despite the general situation of uncertainty, the net turnover reached \in 342.5m, with a growth of 10 percent with respect to the previous financial year. The increase of the sales destined for *Oil & Gas* [21 percent], have offset the decreases in the refining, petrochemicals and energy generation sectors, as well as that of construction and mechanics, with a reduction of 11 and 12 percent, respectively.

By geographic market, sales have increased in North America (16 percent), the Middle East - North Africa (53 percent) and the Far East (14 percent) and have dropped in the domestic market (24 percent) and in the rest of Europe (16 percent).

The EBITDA was of \in 18.6m, with an increase of 58 percent with respect to 2017, representing 5.4 percent of the net turnover, which was an improvement of 1.6 percentage points with respect to 2017.

The result was a loss of \in 34.4m, although it included write-downs amounting to \in 17.9m, an amount with effects on the result attributable to TUBOS REUNIDOS, relating to adjustments in the value of tax credits and of tangible and intangible fixed assets, to adjust them to the reality of the market situation derived from the imposition of protective tariff measures by the United States. It should be highlighted that without said extraordinary and non-recurring effect, the operating result would be a loss of \in 16.5m, with an improvement of almost 50 percent vs the loss of \in 32.4m for the same period of the previous financial year.

Said improvement, although insufficient due to the loss situation, in an overall analysis of financial year 2018, was possible due to the increase in turnover, to higher sales prices and to a better product *mix*, together with the progress in the results of the TRansforma | 360° Plan. All of which has allowed for the mitigation of the negative effects of the lower activity of the large diameter plant and the protectionist measures of the United States in the second part of the year, as well as the increase in the price of scrap metal and the devaluation of the US dollar of 12 and 3.6 percent for the year as a whole, respectively.

Financial restructuring process

In the context of the aforementioned market, after the establishment of protective tariff measures in the United States, in the month of June 2018 TUBOS REUNIDOS initiated an adaptation and update process of its business plan and started to work with its financing institutions to reach a new financial structuring agreement. Said agreement will allow it to adapt its debt commitments to the reality of the market situation, as well as to reinforce the growth and improvement objectives in the GROUP's operating evolution.

After the related analysis and conversation period, as at the preparation date of this report, positive progress has been made in the entire process related to refinancing with the banking institutions that comprise the GROUP's financial debt. In this manner, the company is confident that it will obtain the necessary tools to enable TUBOS REUNIDOS to continue to develop its lines of business and compete in the market.

The agreement, would manage to adapt the capital structure to the reality of the business plan and our ability to generate cash, within the present scenario of trade tensions and would confer the company a flexible structure so that it can adapt to an uncertain and ever-changing environment in the business sector, especially by the tariff impact in the United States and the unpredictable duration of the trade war.

We would like to highlight the good disposition of our banks and of the rest of institutions towards the restructuring of the financial debt, an essential objective to provide us with the financial stability needed to cope with the future growth of TUBOS REUNIDOS and safeguard value for the shareholders and all the interest groups. Thus, we would obtain a series of financing commitments adapted to an uncertain market, which would allow us to execute our business plan and continue working on the measures for the improvement and efficiency of management that we are developing. To do this the effort of all parties is required, shareholders, The Board of Directors, management and all the people who form a part of the company, with a call to responsibility of the social agents as they also have to be aware of the need for them to play their part in order to reach the objective that are all pursuing: that TUBOS REUNIDOS will have at least another 130 years of history, that it generates profitability for the shareholder and retains a high level of quality job positions like up until now. We are all in the same boat and we have to row in the same direction.

Quality, the Environment, Safety and Prevention

Quality, the environment, safety and prevention, are top priority objectives at the TUBOS REUNIDOS GROUP, as reflected in the actions carried out in 2018 and which are described in detail in section 9 "Corporate social responsibility" of this Annual Report.

Corporate Governance

In the first part of the year 2018 the proprietary directors Mr Enrique Portocarrero Zorrilla Lequerica and Mr Francisco Esteve Romero voluntarily resigned from the Board of Directors and the shareholding groups they represented appointed as their replacements Mr Cristóbal Valdés Guinea and Mr Enrique Migoya Peláez, respectively.

Similarly, the month of October saw the voluntary resignation of the –up until then– Executive Chairman of the company Mr Guillermo Ulacia Arnaiz. As their replacement the undersigned to this letter were appointed, as Chairman of the Board Mr Jorge Gabiola Mendieta, a chairmanship that following the best practices of corporate governance, has the consideration of being non-executive, appointing as the GROUP's top executive and Managing Director Mr Carlos López de la Heras, with a clear segregation of powers and functions that in any event allows for independent decision-making between the executive function and the Board in his work for the control, supervision and follow-up of the former.

We would like to express our gratitude to both the Directors and the Executive Chairman who have resigned from their positions for their dedication, service and contributions to the TUBOS REUNIDOS GROUP.

At the General Shareholders Board meeting the approval is sought for the ratification of the shareholders of the appointment by co-optation of Mr. Enrique Migoya Peláez as Proprietary Director and the renewal as Independent Director of Ms Ana Muñoz Beraza.

The Board of Directors of TUBOS REUNIDOS has among one of its objectives an ongoing improvement of the GROUP's corporate governance. In the sense, TUBOS REUNIDOS complies with the good governance recommendations to a large degree.

Prospects for 2019

With regards to the current 2019 financial year, although the beginning of the year was affected by the circumstances of the market situation, largely due to the drop in oil prices in the last months of 2018 and its incidence on demand, the situation has gradually improved due to the recovery in the price of crude, the good performance in refining, chemicals and petrochemicals and the obtaining of energy generation projects.

Consequently, the second quarter started with a portfolio of over $\in 100$ m, which is 32 percent more than that of December 2018, with a good product *mix* and a proper use of the production plants, which is allowing for the residual application of the temporary employment reduction filings in the GROUP.

Similarly, the refinancing agreement with the financial institutions will allow for implementing the business plan with solvency, without the uncertainty the company has been subjected to since the process was initiated in June 2018.

However, although prospects as from the second quarter are better, it is difficult to qualify the 2019 financial year as a whole, in a scenario of global trade war and in which the GROUP's profitability will be affected by the impact of the tariffs derived from the application of Section 232 in the United States. In any event, the evolution of business is expected to be in line with the forecast in the business plan for this financial year shared with the financial institutions and that has served as the basis for negotiations with regards to refinancing the debt.

We can not end this letter without thanking the GROUP's human team, management, technical staff, middle management and the entire staff in general for their commitment, in being totally committed to TUBOS REUNIDOS and banking on its permanence and future in difficult times. And of course for the participation of our clients, suppliers and institutions, which make the present and future project of TUBOS REUNIDOS possible.

Also, we thank the shareholders board for their support in the approval of the agreements that the General Shareholders Board meeting must adopt.



Item	2018	2017	2016*	2015*	2014*
Tonnes of piping sold, thousands of MT.	213	221	152	180	229
Net turnover , thousands of euros	342,512	312,521	194,928	278,065	337,394
EBITDA*, thousands of euros	18,615	11,788	-15,488	6,707	36,727
EBITDA / Sales* [%]	5.4	3.8	-7.9	2.4	10.9
Operating result , millions of euros	-31.0	-16.0	-42.6	-16.8	14.7
Investment in tangible and intangible fixed assets, millions of euros	4	19	25	33	28
Total assets , thousands of euros	527,384	563,595	578,979	641,815	662,183
Share capital and reserves, thousands of euros	108,003	142,046	178,275	227,069	245,107
Net financial debt , millions of euros	218	213	195	167	172
Payroll costs	1,351	1,470	1,459	1,352	1,434

Note: * For comparative purposes the distribution and automobile segments are presented as discontinued operations in financial years 2016, 2015 and 2014.

In 2018 TUBOS REUNIDOS celebrates 126 years of history. This long journey starts in 1892, when Tubos Forjados, the precursor of Tubos Reunidos, was founded until the present day with new challenges and incorporation of new companies into the GROUP.

126 years of uninterrupted progress and the seeking of excellence, adapting ourselves to technological and market-driven changes, looking towards the future and with the client at the centre of our strategy.





TUBOS REUNIDOS GROUP 2018



9

Tubos Forjados, S.A., predecessor of Tubos Reunidos, S.A. is founded with the mission of manufacturing welded pipes for boilers and steam conduits, water and gas piping and other similar uses.

91946

Commissioning of the new seamless pipe manufacturing plant by means of the hot push bench process.



Successive extensions with the aim of increasing production capacity and access to new products.

New cold drawing facilities.

e 1968

Tubos Reunidos, S.A. is founded by grouping all Tubos Forjados, S.A. facilities and part of those belonging to Babcock & Wilcox Española, S.A. for manufacture of seamless and welded piping.



Acquisition of Productos Tubulares, S.A. which provides a wide range of special, alloy and stainless steel pipes of large diameters and thicknesses.



TUBOS REUNIDOS starts an investment plan of €150m. for the development of new high added value products and to improve productivity.



Production start-up of the new plant with Marubeni-Itochu Steel Inc.

Acquisition of the assets of Rotary Drilling Tools, Inc. TUBOS REUNIDOS diversifies its production facilities by obtaining local capacity in the United States close to the end user. 1977
First steel



2002

New cold draw plant in Amurrio.

1984 🍺

A world first, the new heating and perforation system (C.P.E.) at the head of the push bench, is launched in Amurrio, technological step of overwhelming importance.

2005

TUBOS REUNIDOS strengthens its stock market by having its shares traded on the continuous market.



2017

2014-2017 Strategic Plan and signature of the agreement with Marubeni-Itochu Steel Inc. for construction of a plant devoted to manufacturing, sale and supply of premium OTCG products for oil and gas drilling worldwide. Tubos Reunidos premium threads.

Launch of the Value Creation Plan:

TRansforma | 360° to improve the

sustainability of TUBOS REUNIDOS.

competitive position in the new market environment and ensure the

2015

Building of a new Tubos Reunidos Premium Threads plant in Iruña de Oca (Álava).





2018

Recovery of the sales level prior to the crisis of the business sector.



Seamless pipe solutions

We are a manufacturer and supplier of seamless steel pipes and global services for applications in the Oil-Gas, Energy and Industrial sectors.

We specialise in high added-value products with demanding technical requirements tailor made for the needs of our clients and provide competitive solutions, with an efficient, high-quality service.

We have factories in the Basque Country, Navarre and the United States and sales presence the world over, as well as R&D&i centres.

300,000

TM OF STEEL SEAMLESS PIPES Annual production capacity

5

PRODUCTION PLANTS

TUBOS REUNIDOS INDUSTRIAL Amurrio, Álava Seamless piping. Outside diameter up to Ø 7" PRODUCTOS TUBULARES Trapagarán, Vizcaya Seamless piping. Outside diameter up to Ø 26" TUBOS REUNIDOS PREMIUM THREADS Iruña de Oca, Álava OCTG threading plant ACECSA Pamplona, Navarre Seamless cold drawn piping RDT, Inc. Beasley, Texas. OCTG piping finishing and threading plant. Drill Pipe

2 ACERÍAS INTEGRADAS

Carbon steels, alloys and stainless steels

2

R&D&i CENTRES

At our seamless piping manufacturing plants

174

MILLIONS OF EUROS INVESTED IN 2013-2018

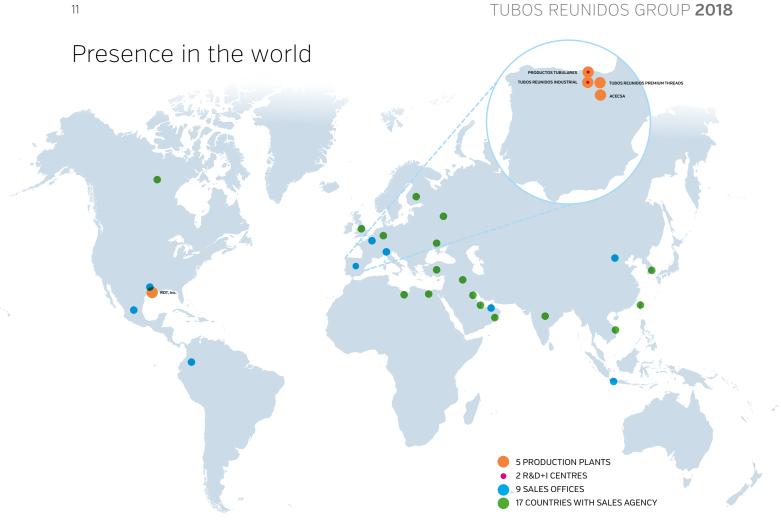
Transformation plan implemented: new product range The springboard to future growth and profitability

1,35[°]

80 COUNTRIES WITH CLIENTS

9 countries with dedicated sales delegations.17 countries with sales agency

126 YEARS OF HISTORY



Growing presence in global markets

Sales to the domestic and export markets of seamless piping of the **TUBOS REUNIDOS GROUP**

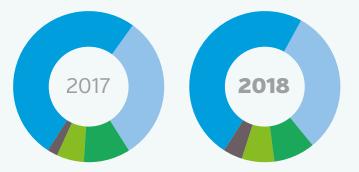
(In % millions of euros)



91 87 81 81 23% **19**% 179 13% 9,

Distribution of seamless piping sales by geographic market (In % millions of euros)

2017	2018	
51 %	49 %	NORTH AMERICA (USA AND CANADA)
31%	31 %	EUROPEAN UNION
10%	9%	FAR EAST
6%	7 %	MIDDLE EAST AND AFRICA
2%	4%	OTHERS

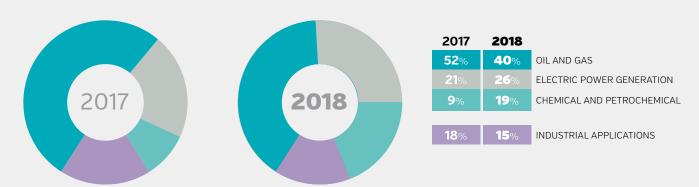


Wide range of products for diversified applications

Sectors	Products / Application	Specialisation
	OCTG (Oil Country Tubular Goods)	
Oil and Gas [Upstream Midstream]	 Piping for drilling and production of oil and gas Drill Pipe 	 OCTG connections with, SemiPremium and Premium-JFE API Threads. Casing BTX™ Drill Pipe Wear Knot™. Accessories Proprietary steels Materials resistant to corrosion, high pressures and temperatures
	Pipelines	
	 Transport of oil and gas 	SS, HIC onshore and offshore piping
Electric Refining, power Petrochemicals generation [Downstream]	 Process piping Piping for high pressure and/or te For refining, chemical and petrochemical plants Electric power generation plants (thermal, combined-cycle, biomass, renewables, nuclear). Piping for boilers, furnaces and heat 	 Wide range of pipes with custom dimensions and steels Special lengths up to 26 metres in hot- drawn and 28 metres in cold-drawn for PowerGen Piping up to OD 26" with high performance for critical phases of last generation processes, in carbon steels, alloys, stainless
- 5	exchangers	steels and high-nickel alloys
	Mechanical piping	
Industry	 Industrial applications, automotive industry, heavy machinery, offshore wind turbines, engineering, singular buildings, civil engineering, agricultural machinery, mining, printing 	 Fine-grain steels, with special requirements, high mechanical features and machinability demands Special dimensions based on the end client's needs Leaders in large diameters and strong thicknesses

Oriented towards the Energy sector, 2018

Distribution of seamless piping sales by sectors (In % millions of euros)







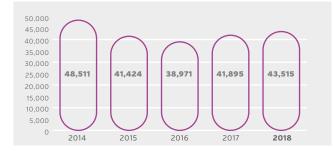


2018 Sectoral Environment

The year 2018 has been the second financial year of growth in the global seamless pipes business, leaving behind one of the largest crises derived from the plummet in oil prices that occurred in 2015 and 2016.

Global production of seamless pipes (Millions of tonnes)

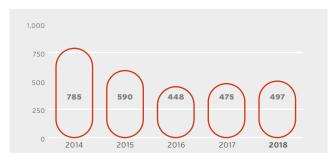
Source: International Tube Association (ITA)



The revival of the global investment in the oil and gas sector of since 2017, after annual drops of 25 percent for two consecutive years, led to an increase of 6 percent in 2017 and 5 percent in 2018.

Worldwide investment in oil and gas between years 2014-2018 (Billions of USD)

Source: International Energy Agency



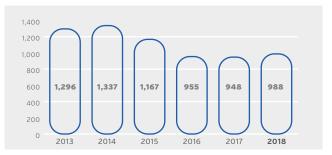
The growth mainly occurred in the United States, where the number of active drilling rigs grew by 18 percent in 2018, following the increase of 72 percent that occurred in 2017, shored up by the progress in technology for exploiting the shale fields, leaving behind the 47 percent drops that occurred in 2015 and 2016.

Number of drilling platforms in the USA and Canada (annual average, oil and gas) Source: Baker Hughes

2,500 2,000 1,500 500 0 2013 2014 2015 2016 2017 2018

Number of international drilling platforms*, other markets (annual average, oil and gas)

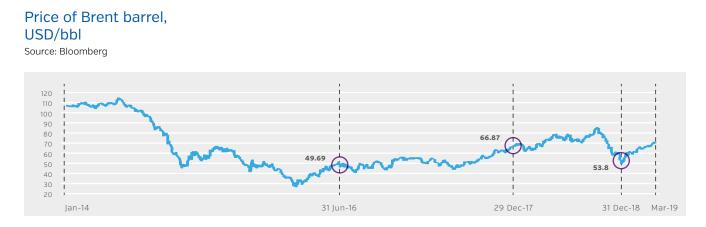
Source: Baker Hughes *Excluded: Russia, Caspian, Iran, Sudan, North Korea, Syria and China Onshore.



Thus, the consumption of OCTG pipes in the United States increased by 14 percent in 2018, shored up by a growth in the average price of oil that was of 65 dollars/barrel and 71 dollars/barrel of WTI and Brent oil, respectively, compared with 51 dollars/barrel and 54 dollars/barrel in 2017.

Similarly, the revival of investment in the oil and gas sector was also sustained on need for reinvestment to cope with the growth in demand for hydrocarbons due to the decline of active fields, as well as the technological improvements that allowed for a significant drop in the price of oil for the profitable fields, especially for the shale fields.





In this recovery context, two time periods can be differentiated. The first semester of 2018 was most positive and the second semester was affected by the restrictions in the American market and the drop in the oil price.

After several months of uncertainty, as from the 1st of June 2018 the protectionist measures of the market in the United States under section 232, which involved the imposition of quotas for certain countries and/or the payment of a tariff of 25 percent on their exports to that market, entered into force. These restrictions have led to the diversion of exports of piping of countries with a quota to Europe, among other destinations, involving an increase in competition and greater pricing pressure in the European market.

From the beginning of October up until the end of the financial year, the barrel of Brent lost more than 35 percent and WTI 40 percent, closing 2018 with price drops of 19 percent and 25 percent, respectively. With regards to other activity segments, refining and petrochemical and industrial activities grew significantly at the beginning of 2018 due to the good economic overtone in the main markets.

Many energy generation projects and mainly the downstream ones have been activated throughout the year –a trend that continues in 2019– positively impacting the contracting of high added value piping, above all for alloys and stainless steel.

As a consequence of the plummet in oil prices in the last quarter of 2018, 2019 began with a lower number of active rigs. However, the evolution of the price of an oil barrel has been positive, sustaining expectations of strong demand for this year. On the other hand, on the 4th of February the final safeguarding measures in the European Union entered into force for protecting seamless piping, which will imply a containment of imports and consequently, of competition and price pressures for the European producers.

Evolution of the activity and results in 2018

T

The TUBOS REUNIDOS GROUP obtained a net turnover of \in 342.5m in 2018, which involved an increase of 10 percent with regards to 2017, a year that already recorded growth of 60 percent with respect to the sales of 2016. In 2018 TUBOS REUNIDOS surpassed the sales level prior to the crisis of the sector in 2015 and 2016. This increase is especially bolstered by the growth in sales for oil and gas, as a result of the reactivation of investment in the sector following the increase in the price of crude oil, the efficiency improvements of the operators and better positioning of TUBOS REUNIDOS in the United States, our main market.

In this context, the pipelines segment grew by 41 percent and OCTG by 13 percent, makes OCTG especially thanks to sales in North America, the Middle East and from the delivery of contracts for Premium threaded pipes in North Africa. The increase in these segments has offset the decrease in sales in the refining, petrochemicals and power generation sectors, as well as in that of construction and mechanics, which went down by 11 percent and 12 percent respectively, affected by the production stoppages at the PRODUCTOS TUBULARES plant, derived from the restructuring measures implemented by the company.

The EBITDA of the GROUP increased by 58 percent in 2018 in comparison to 2017 reaching \in 18.6m with a margin on sales of 5.4 percent, surpassing the margin of 2017, which was of 3.8 percent.

The evolution during the year can be differentiated in two periods, a highly positive first semester, driven by better prices, derived from a product mix with a higher added value, a greater balance between the supply and demand and the dynamism in the American OCTG market. That semester closed with an EBITDA of €14.4m. Despite the growth in sales, the second semester was burdened by the slowing of investment in the oil sector due to the drop in the price of crude and the duty of 25 percent imposed on steel imports to the United States, which negatively afflicted the GROUP'S sales, closing the semester with an EBITDA of €4.3m.

The second semester of 2017 saw the beginning of the implementation of the TRansforma | 360° Plan with the aim of recovering the profitability and cash generation levels prior to the crisis. Since then 96 initiatives have been undertaken which brought an improvement of 24.5m to the base EBITDA¹ which corresponds to 54.5 percent of the recurring EBITDA improvement target of 45m for 2020. Moreover, efficiency was improved by a reduction of \leq 12.2m in the required working capital.

The growth in the US market, the higher sales prices and the better product *mix*, together with the progress in the results of Plan TRansforma | 360°, allowed for partly offsetting the negative effects derived from the stoppages mentioned at the large diameter plant, the protectionist measures of the United States and from the drop in the oil price in the second part of the year.

During financial year 2018, the GROUP recorded write-offs to the P&L account of \in 22,3m, of which 17.9m had incidence on the net end result attributable to TUBOS REUNIDOS after taxes and minority interests, which amounted to a negative 34.4m. Consequently, without said extraordinary and non-recurring effect, the operating result would have been a loss of \in 16.5m, with an improvement of 49 percent on the \in 32.4m loss for the same period of the previous financial year.

For the financial year as a whole, the operating cash flow reached a positive amount of ≤ 10.2 m, compared to the negative $\leq 8,2$ m for the same period in 2017, which involves and increase of ≤ 18.4 m. On the other hand, the free cash flow in the period amounted ≤ 1.3 m, conferring an increase of ≤ 16.6 m with respect to the prior financial year.

As at December 2018 the net financial debt amounted to \notin 218.3m, \notin 5.3m more than as at the 31st of December 2017. During 2018 working capital amounted to \notin 26.7m, representing an increase of \notin 8.1m with respect to 2017.

In the first quarter of 2019, the EBITDA of the GROUP amounted to a negative \leq 4.8m, which involves a decrease of \leq 8.4m on the EBITDA for the same period of 2018, affected as was expected by the lower sales and the inefficiencies derived from the drop in activity at the production facilities, as well as due to the lower margins resulting from the application of the 25 percent tariffs on the sales to the United States.

¹ Tonnes for 2014, prices and mix for 2017

The measures implemented that included the application of temporary employment reduction filings at TUBOS REUNIDOS INDUSTRIAL and TUBOS REUNIDOS PREMIUM THREADS to adjust capacity to the lower circumstantial demand, together with the positive results of the TRansforma | 360° plan, have not fully offset the drop in sales and the impact of the tariffs derived from the application of Section 232. Overall, the net result of the GROUP was a negative €13.3m, €4.7m less than the result for the first quarter of 2018.

In 2019, the oil price significantly recovered. We estimate strong demand levels for piping for the whole of 2019 in the United States –in line with the year 2018– buttressed by the competitiveness of the shale oil production technology, as well as greater growth in other markets. In the power generation segment we are obtaining projects and we hope to achieve more volume for several electric power generation and combined-cycle gas plants, as well as works for maintenance work at several plants.

In refining, chemicals and petrochemicals, activity is much more dynamic and has optimistic prospects. It is in these segments where the awarding of projects to TUBOS REUNIDOS has been most positive as a result of the company's better competitive positioning, mainly in steel alloys. Moreover, the final safeguarding measures in the European Union as a response to imports derived from the implementation of Section 232 in the United States, in force since the 4th of February 2019 and in which seamless pipes were included, involve a protection for the European manufacturers allowing for a better balance between supply and demand in Europe with the consequent reduction in pressure on prices. The upcoming quarters present a positive change of trend in sales and margins for TUBOS REUNIDOS, with the GROUP starting off as at the 31st of March 2019 with a portfolio for a value of €104m, 32 percent greater than at the end of 2018, which involves a full use of the production capacity in the next months and a more profitable product mix, which will allow –together with the progress of the TRansforma | 360° project– to mitigate the effects of the protectionist measures derived from 232.

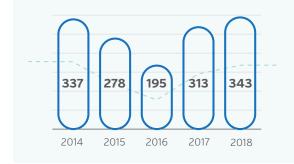
TUBOS REUNIDOS is in the process of reaching an agreement with its main creditor institutions on the terms and conditions of the refinancing of the company's financial debt, an agreement that will be extensive to the rest of entities.

Similarly, TUBOS REUNIDOS has a redefinition process of its business plan and of its financing structure under way, to adapt these to the context of the market affected by the entry into force of the protective tariff measures of the United States of America.

The new debt structure would give the company financial flexibility within the current market situation and reinforce the implementation of its business plan.

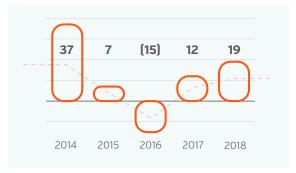
Variation in sales of the TUBOS REUNIDOS GROUP

(In millions of euros)

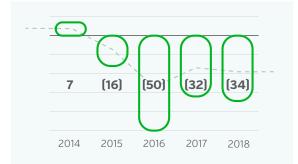


TUBOS REUNIDOS GROUP: variation in EBITDA

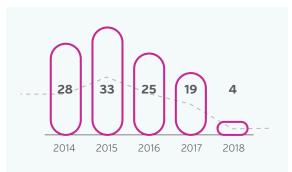
(In millions of euros)



Variation in net result of the TUBOS REUNIDOS GROUP [In millions of euros]



Investments by TUBOS REUNIDOS GROUP in tangible and intangible fixed assets (In millions of euros)



O Gross Investment





RDT, Inc.

Expansion of the production and sales activities of RDT



RDT has become a key piece in the GROUP, generating productive and commercial synergies: internalising production processes, expanding product range and diversifying its marketing.

The year 2018 was marked by market uncertainty due to the decision of the American administration to introduce protectionist measures for the steel sector by the imposition of Section 232.

RDT has managed to weather the situation by speeding up the programs for:

- Integration of the plant into the American industrial fabric through the expansion of regular supply programmes with leading American companies in the oil and gas industry
- The full integration of RDT into the supply chain of the TUBOS REUNIDOS GROUP, gaining logistics, cost and flexibility advantages
- Integration of the Quality and R&D departments of RDT with the rest of the GROUP
- New license contracts of RDT's products with other processing and repair companies
- Occupancy and efficiency levels of the production equipment above 90 percent

It is worth highlighting the performance of the following range of RDT's products:

BTX thread:

• Recognition in the market of the added value that this product represents for the end user:

- Cost saving from the lower assembly time of the drilling "string" of up to 30 percent
- Greater flexibility and torque which very significantly minimises the risks of leakage in the well, which is 50 percent less than with conventional solutions
- Programmes and orders with 9 distribution and end user companies:
- 16,000 metric tonnes (2 million feet) of pipe processed with BTX thread

Wide range of Drill Pipe products:

- "Wear Knot" Drill Pipe: Product developed, designed and patented by the TUBOS REUNIDOS GROUP and which allows for extending the life of the "Drill Pipe" in the drilling "string"
- Heavy Weight Drill Pipe
- Spiral Drill Pipe

Drilling accessories.

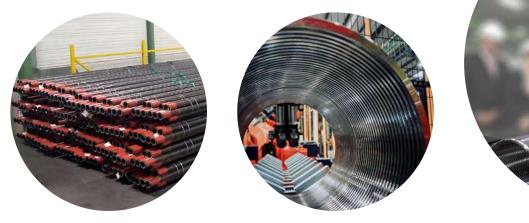
• Setting up of the *Drill Collars* plant with monthly supply deliveries to end users

Services

- It has tripled turnover, becoming 20 percent of the total revenue for 2018, largely due to the *Drill Pipe* upsetting services of our clients as well as to the heat treatment and inspection services:
- 30,000 metric tonnes 65,000 pipes 3 million feet
- Other services:
- Repair of threads
- Reusing of connections

TUBOS REUNIDOS PREMIUM THREADS TRPT

2018 involved that TRPT has industrialised its entire range of JFEBEAR[™] references and has prepared the type approval of the new JFELION[™] connection in record time



In the first half of the year, the organisation's efforts were focused on fulfilling the significant programme of alloyed *piping* that we had obtained for a North African oil company, with deliveries starting in 2016, as well as in the manufacturing of several *casing* programmes for American *shale* companies, some under very demanding [*Sour Service*] conditions. All these supplies have used the JFEBEAR[™] connection.

In the second half of the year we developed all the dimensions within the OCTG piping range of TUBOS REUNIDOS INDUSTRIAL (outside diameter 2 3/8"- 7"), which has allowed us to industrialise them in order to include 7 new references in our *tubing and casing* in different grades of carbon and alloy steel.

At the same time, throughout the year and within the development plans for improving the efficiency of the plant's production processes and their competitiveness, several actions have been taken to attain significant improvements in tooling design and to optimise our Premium thread machining strategies. At the same time it is important to highlight the progress achieved in the versatility of the staff and the improvements made in the development of equipment preventive maintenance programmes, oriented towards maximising the efficiency of the facilities based on vibration studies of the machining centres. All this has contributed to the improvement in plant productivity ratios. But without a doubt the highlight of 2018 in TRPT was the work carried out in the latter part of the year to get the type approval for the new JFELION™ tread, which we officially obtained the license for in January 2019.

This connection is the latest and most sophisticated technological development of JFE -the Japanese leader in Premium solutions- and is mainly intended for highly demanding gas wells where high pressures and very high temperatures coexist (HPHT). JFELION[™] brings excellent performance features -such as compression and tension ratios at 100%- that allows that the pipes can attain full performance under extreme working conditions at the well, submitted to heavy external and internal pressures, combined with high axial forces.

To manage to develop this thread in a satisfactory manner and within a very ambitious timeframe, the plant's team has worked intensely on the design of the required tooling and machining programmes. Similarly, training has been expanded for the staff in very demanding inspection techniques in order to ensure the extremely high quality requirements required for JFELION[™].

This new milestone allows TUBOS REUNIDOS PREMIUM THREADS to be placed as a supplier for a wide range of Premium connections at the utmost worldwide technological level, capable of delivering threaded pipe made of carbon steels, alloy and super chrome-nickel alloys (CRA) for the most demanding oil and gas wells, both for onshore and for offshore, even for deep water rigs.

Value Creation Plan: TRansforma | 360°



In 2017, TUBOS REUNIDOS –after having incurred significant losses in 2016–, started its Value Creation Plan: TRransforma | 360° with the aim of quickly recovering the profitability and cash generation levels of the GROUP in order to ensure its future sustainability as a manufacturer of high range seamless piping based in the Basque Country. In a first phase we performed a 360° analysis of all the areas of the GROUP and taking as a reference the best practices of the industry at a worldwide level, we identified a potential for improvement of the operating result (EBITDA) of €45m, recurring on the EBITDA of a base year¹ and which would be implemented in an approximate period of 24 months by means of:

 Relevant increase of EBITDA by means of a new sales management orientated towards the margin: with the strengthening of value engineering to the client focused on a simpler and more optimised portfolio of high-end products, with a pricing policy aligned with the level of services

- Improvement in productivity and costs by seeking operational efficiency:
 - Efficiency in manufacturing: by the implementation of lean manufacturing processes, with an increase in the productivity of the industrial equipment and of the employees, accompanied by a redefinition of the strategic maintenance at the plants.
 - Optimisation of the technical processes: with improvements in the consumptions and yields of raw materials, energy and other consumables, as well as through the reduction of waste during the manufacturing processes of steel and pipes.

¹ Tonnes for 2014, prices and mix for 2017



- Reduction of stock provision costs: through improvements in the processes of purchasing and of scrap metal, energy, consumables and other supplies.
- Reduction in overhead and structural costs:
 - Unification, consolidation and rationalisation of the business support functions at a Group level and activation of austerity policies for overhead expenses
 - Optimisation of the business support management and systems processes
 - Minimisation of the working capital levels required for the activity and service to the client (raw materials, work in progress and finished product).

Since the beginning of the implementation of the TRansforma | 360° Plan, at the beginning of the second semester of 2017 and until the end of 2018, 96 initiatives have been implemented that involved the obtaining of a \leq 24.5m improvement in the base EBITDA¹, which involved the fulfilment of 54.5 percent of the target to improve the recurring EBITDA by 45m in 2020. Similarly, the company's working capital required to operate has been reduced by \leq 12.2m in a recurrent manner.





		(Executi	r p Committee ve Chairman + Trans r + Improvement are		ect O-	t cadence of gular follow-up)	
	MANUFACTURING EFFICIENCY	OPTIMISATION OF TECHNICAL PROCESSES	PROCUREMENT	SALES EXCELLENCE	OVERHEAD COSTS (SG&A)	WORKING CAPITAL & CAPEX	STRATEGIC OPTIONS	
Tubos Reunidos Transformation	Manager	Manager	Manager	Manager	Manager	Manager	Manager	
Office Outside support	Execution and follow-up leader	Execution and follow-up leader	Execution and follow-up leader	Execution and follow-up leader	Execution and follow-up leader	Execution and follow-up leader	Execution and follow-up leader	Cultural and management transformation
experts	Initiatives managers	Initiatives managers	Initiatives managers	Initiatives managers	Initiatives managers	Initiatives managers	Initiatives managers	
	Additional su	pport of the Cha	nge agents					

The development and execution of Transforma 360 involves +120 people from all areas within the company

► 96 implemented initiatives

- ► €24.5m improvement in the base EBITDA¹
- ► 54.5% of the improvement target of 45m of the recurring EBITDA in 2020
- $\in 12.2$ m of less required working capital
- The implementation of the TRansforma plan involves 120+ people from all areas of the company

Stock provisions

Significant improvement of the material and supply costs by working together with suppliers and the production areas

Improvements in the cost of scrap metal with respect to 2017 optimising the management of suppliers and the selection of the purchasing *mix*

Working capital & Capex

Reduction of 19% in leverage

Sales excellence

Reduction of 70% of the "Margin Polluters"

TPO

In stainless steel the raw material cost has been reduced by 10% as a consequence of the change of mix of the formats purchased and the incorporation of own manufacture ingots

Improvement of waste in finishing operations, with a reduction of 2% from off-cuts in 2018

Lean

The development of SMED Projects for the quick change of tooling has led to the reduction of tooling change times of 44% in TRI and of 35% in PT

General services and overhead costs

Planned reduction with a recurring impact of €0.4m in overhead expenses and services

Corporate Social Responsibility



TUBOS REUNIDOS has as its essential objective the creation of long-term sustainable value for our clients, employees, shareholders, suppliers and society in general. We define ourselves as a company socially committed to human rights, ethics and integrity, good governance and the environment, including sustainable criteria and profitability in all processes.

Social commitment

TUBOS REUNIDOS maintains communication with its interest groups (employees, investors, clients, suppliers, local communities locales...) in order to identify potential risks and opportunities. In the relations with these groups we seek to provide a response, insofar as is possible, to the information expectations or needs of the different groups, grounding ourselves on the principles of integrity, professionalism and transparency.

1. Customers

TUBOS REUNIDOS puts its customers at the centre of its activity, in order to establish long-lasting relationships with them based on the mutual contribution of value and on mutual trust. The TUBOS REUNIDOS GROUP sets as a guideline for its business activity the pursuit of quality in its products and provides its employees with the necessary means for the development of quality management systems. Moreover. in that sense the GROUP companies have the most demanding type approvals as required by its different international clients.

One of the measures taken to ensure that the manufactured products are not dangerous and are used and handled in a correct and reasonable manner is that all the substances involved in the manufacturing process and that form part of the end product (including lacquers and varnishes) consist of a safety data sheet in accordance with EU Community rules and regulations 453/2010 (requirements for the preparation of safety data sheets) or EU 1907/2006 (relating to the registration, evaluation, authorisation and restriction of REACH-chemical preparations and substances), among others, as required by ISO Quality Standard 9001, according to which we are certified.

2. Suppliers and supplies

The companies that opt to become TUBOS REUNIDOS' suppliers must undergo a type approval process depending on the criticality of the activity they perform. Moreover, TUBOS REUNIDOS' Ethics and Conduct Code sets the bases of the values and principles by which we govern our contractual relationships with our suppliers.

Local suppliers: over 97 percent of the company's overall purchase volume in 2018 was made from European Union companies (83 percent from domestic companies). The remaining 3 percent was made from countries such as the United States and Switzerland. This involves a guarantee in terms of the social impact of our activity on the supply chain of the environment.

3. Community and associations

The GROUP's industrial activity has a very significant indirect economic impact on the local and regional economies where its industrial plants are located, creating both direct and indirect jobs and by collaborating with the local and regional institutions in promoting sustainable social and economic development.

TUBOS REUNIDOS is a GROUP committed to the application of the contents of the Universal Human Rights Declaration, of the United Nations Global Compact and other conventions and treaties of international organisations such as the Organisation for Economic Cooperation and Development (OECD) and the International Labour Organisation (ILO).

In addition the TUBOS REUNIDOS GROUP participates in different associations in the industrial and business realm at a local, regional, national and international level. Among others:

- European Steel Tube Association (ESTA)
- American Petroleum Institute (API)
- Union of Steel Companies (Spanish acronym UNESID)
- Biscayan Federation of Metal Companies (Spanish acronym FVEM)
- Alava Business Union (Spanish acronym SEA)
- Chambers of Commerce
- FLUIDEX, Spanish Association of Exporters of Fluids Handling Equipment

Commitment with people

At TUBOS REUNIDOS the management of its human capital is orientated towards attracting, developing and retaining talent, to provide to the company with the people suited for undertaking its business activity. We intend to ensure the efficiency, profitability and competitiveness in a stimulating working environment that allows for the permanent improvement of the professional value of our staff, all in a field of safe working conditions and respect for the environment. TUBOS REUNIDOS ended 2018 with total staff headcount of 1,351, of which 1,242 were men and 109 women. We give priority to fixed employment, virtually all of the staff has a permanent contract.

Among the priorities we highlight:

- a. Safety and health: in this sense the GROUP's priority is the Prevention of Occupational Hazards, with a target of zero accidents. In this context TUBOS REUNIDOS has an OSHAS 18001.2007 certificate. Therefore the key is courses on the prevention of occupational hazards, as well as other training and personal development courses. All the companies have training plans that are assessed annually
- In 2018 more than 14,488 hours have been dedicated to training, investing about €158,000 on outside training. Within these hours, there is a large investment in internal training, taking advantage of the expertise of the people who work in the GROUP
- b. Equality: TUBOS REUNIDOS emphasizes that gender does not constitute any condition or limitation, so all that all the GROUP's companies are subject to the collective bargaining agreement that sets remuneration by occupational category (position / function / task), regardless of gender or any other feature of the occupant thereof, in such a way that the salary discrimination is impracticable
- c. Social dialogue: constant dialogue with the workers' representatives by all levels of management both at PRODUCTOS TUBULARES as well as at TUBOS REUNIDOS Industrial and also the Union Committee of TUBOS REUNIDOS PREMIUM THREADS

Environmental commitment

At TUBOS REUNIDOS we are committed to ensure the utmost respect for the environment in the undertaking of our activities. This context encompasses a commitment acquired in 2018, along with other economic and social agents, for promoting the transition towards a circular economy that focuses on goals such as progress in reducing the use of non-renewable natural resources, the incorporation of eco-design criteria, preventing the generation of waste, fostering reuse thus enhancing recycling and promoting innovative forms of sustainable consumption, among others.

1. Circular economy

In financial year 2018, the company joined the "Pact for a Circular Economy – The 2018-2020 commitment of economic and social agents" fostered by the Ministries of Agriculture and Fisheries, Food and the Environment and the Ministry of Economy, Industry and Competitiveness. The challenge of achieving the transition will only be possible with the collaboration of the whole of society.

With regards to its environmental performance TUBOS REUNIDOS considers the following aspects:

- Materials
- Energy
- Water
- Emissions
- Legal compliance
- Environmental assessment of its suppliers

2. Environmental impact and measures taken

The TUBOS REUNIDOS INDUSTRIAL and PRODUCTOS TUBULARES production plants have the certification of their Environmental Management System in accordance with the ISO 14001:2015 standard. Moreover, both production plants have the related Integrated Environmental Authorisations, which list all the obligations in this matter. In accordance with applicable legislation, TUBOS REUNIDOS INDUSTRIAL has performed the Environmental Hazards Analysis, in compliance with the Sid-MIRAT model approved by the Public Administrations, which allows for a greater degree of control over the environmental hazards of the facilities. Said analysis was performed throughout 2019 at the plant of PRODUCTOS TUBULARES on order to comply with the deadline set by the Administration.

Several of the GROUP's plants have annual environmental targets with the purpose of seeking ongoing improvement in this field:

- Contamination prevention measures for the preservation of the soil and water quality
- Optimisation measures for the efficient use of natural resources, energy sources and raw materials
- Plans and resources for the reduction of the environmental risk of its activity, assuming its responsibility relating to the prevention, mitigation and repair in the event of adverse effects on the environment

Similarly, within its tangible fixed assets TUBOS REUNIDOS has facilities destined for protection and improvement work on the environment. For this purpose it has its own staff and the support of specialised outside companies. All this is part of the Environmental Strategic Plan developed by the GROUP to minimise the hazards associated with its business activity. Also, to improve its management in this field it is introducing requirements in this matter on the selection of suppliers and a follow-up is carried out of the evolution of the environmental performance of these plants through the established indicators.



Identification of hazards

The activities carried out by the different companies that comprise TUBOS REUNIDOS are subject to the usual contingencies of any industrial transformation business and therefore are exposed to the risk hazards that were they to materialise, would prevent or hamper the attaining of the set goals, such as among others, the strategic, operational and compliance risks. The potential hazards relating to the fundamental rights of people and the environment should also be taken into account:

- 1. Health and safety: the importance of the industrial workforce makes the health and safety of employees essential
- 2. The environment: The Group's activity can potentially affect the environment (use of chemical products, waste, emissions...) eventually entailing sanctions

In the two aforementioned fields no GROUP company has received significant firm fines or sanctions for any breach of the applicable legislation.

Ethics code

the building of trust and the exercising of transparency are essential aspects of good governance of a company. At TUBOS REUNIDOS we have defined a framework of integrity which is reflected, among others, in an Ethical Conduct Code, a Plan for the Prevention of Criminal Responsibility and an Independent Control Body. We promote an ethical corporate culture based on doing things well and transparency. Below we give details of the bases of our ethics code:

- 1. Respect for the dignity of people and for their rights
- 2. Respect for the equality of people and for their diversity
- 3. Respect for the environment
- 4. Occupational health and safety
- 5. Quality
- 6. Strict compliance with legality

Measures and control

An Independent Control Body –collegiate and of an internal nature– is in charge of ensuring the application of the code, its surveillance and the supervision of compliance with the prevention model. Anyone may address that body to notify it of any possible unlawful acts. It is composed of the chairman (the secretary of the Board of Directors), the secretary (a member of the legal department) and its spokespeople (the chairman of the Audit Committee and the Financial and Control director).

10 R&D&i

2018 has been another year marked by the containment of the GROUP's investment effort. The investments made have mainly been focused on improvements from the occupational hazard prevention point of view, as well as to the increase productivity and competitiveness, aligned with the TRansforma | 360° Plan.

At TUBOS REUNIDOS INDUSTRIAL the projects we had been working on from prior financial years have bee completed satisfactorily.

Specifically, for the OCTG sector has satisfactorily concluded the developments planned within the TR-Premium project (approved by the Etorgai Programme of the Basque Government) the aim of which was to develop two new proprietary grades capable of obtaining greater corrosion resistance performance in $H_2S \ y \ CO_2$ environments in drilling pipes for oil-gas wells

For this same sector –strategic for the TRI plat, as well as for RDT and TRPT– new initiatives have been started. In this context we have opened cooperation projects with strategic clients for the development of new chemical compositions in OCTG piping, which has allowed us to maintain or boost performance features, while optimising production costs –both in several grades of the API 5CT standard as well as in proprietary grades of TR– generating technical and commercial efficiencies, which allows us to retain the loyalty of these clients.

In the electric Energy generation business we completed the final phases of the ENERGINOX project, focused to the manufacturing of austenitic stainless steels and to the development of a new grade on the basis of the 304H standard, with significant improvements in the creep behaviour at high temperature.

The plant has obtained the renewal of its Quality Management System certificates in accordance with the ISO 9001:2015 and IATF 16949:2016 standards.



Similarly, it has continued its efforts in energy efficiency and in continuous improvement for the optimisation of production processes, all part of the TRansforma | 360° Plan.

PRODUCTOS TUBULARES has started up the internal development of the manufacturing of low-carbon austenitic stainless steel ingots from own returns with the aim of fostering the manufacturing of very high added value pipes, shortening client response times and optimising the production batches, thus reducing our current dependence on outside suppliers. This R&D&i project has showed its first results at the end of 2018 and will continue in 2019 under the acronym RINOX.



In the same product range of high performance piping for the Electricity generation and Downstream sectors, research work has been done successfully to achieve the hot mechanical properties required by the nuclear power market, as well as the development of specific internal surface finishes for the same industry. These activities are aimed at enhancing our technical and competitive position in piping for niche markets with high performance demands in large diameters.

This plant has also successfully conducted tests of nickel-based alloy rolled piping with the aim of incorporating into our range the highest grade alloys currently required in the new chemical and petrochemical complexes which has increasing demand, mainly in the Asian market.

At the same time, we are positioned ourselves as a supplier of high chrome-nickel alloy mother pipes for cold-rolling mills. The first tests were done at the end of 2018 with positive results, which opens up possibilities for collaboration and complementarity with other manufacturers of super-alloy piping with the high corrosion resistance required in gas wells. With regards to pipes for mechanical and industrial applications we have initiated several internal developments that allow us to supply piping with a higher elastic limit, managing to bring better performance features to our clients.

Throughout the year we have passed the annual follow-up audits of the ISO 9001:2015 and ASME certifications.

At the level of type approvals, we have successfully the tests required to get General Electric's approval for the supply of large diameter pipes in high-pressure boilers according to the ASTM A335 P92 standard.

Similarly, at both facilities we keep the rest of certifications and type approvals up-to-date as required by our main clients [IBR, ARAMCO, TÜV, DNV-GL, LR, among others].

Shareholders and Stock Exchange

Relevant data

The share capital of TUBOS REUNIDOS as at the 31st of December 2018 was of €17,468,088.80 represented by 174,680,888 shares with a par value of €0.1 each.

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

Share price variations

In 2018 TUBOS REUNIDOS' share price dropped by 80.9 percent from €0.75/share as at the 31st of December 2017 to €0.14/ share as at the 31st of December 2018.

The evolution of the share quote has been marked by uncertainty due to the imposition of protectionist measures on exports to the United States under the section 232, which have been in place since the beginning of the year and that was confirmed by the entry into force of these on the 1st of June 2018, directly affecting about 50 percent of sales of TUBOS REUNIDOS and indirectly affecting the rest. Moreover, the drop in th oil price in the last quarter of the year and the doubts relating to investment decisions of the oil operators led to a large sell-off of investors in the industry that significantly affected TUBOS REUNIDOS.

Similarly, TUBOS REUNIDOS published the beginning of its negotiations with its financial institutions for the reorganisation of its financial structure, to adapt it to the new context affected by protectionist measures in the United States, which generated uncertainties that also affected the stocks' quoted price.

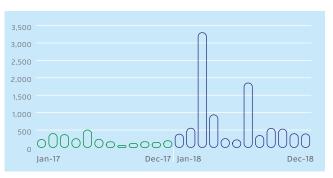
The rise of the oil price, the agreement with the financial institutions, the improvement in

the contracting and portfolio of the GROUP will set a firm foundation for reinforcing the quoted stock price of the TUBOS REUNIDOS GROUP.

With regards to liquidity, the contracting volume of contracts was of \in 87.4m, 43 percent more than in 2017. The volume of traded securities for the whole year reached 205.4 million securities, 3.4 times more than in 2017.

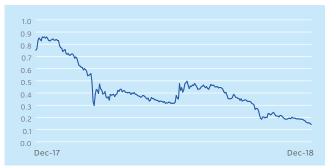
Average monthly trading volume of TUBOS REUNIDOS

(Thousands of securities)



Evolution of the quoted stock price of TUBOS REUNIDOS

(euro/share)



Treasury shares

TUBOS REUNIDOS has entered into a liquidity contract, as notified to the National Securities Market Commission (CNMV) as a Significant Event on the 11th of July 2017, that entered into force on that same day and which fully complies with the provisions of Circular 1/2017 of the 26th of April.

The treasury stock balance is entirely allocated to attend to the liquidity contract. During 2018, 5,615,377 own shares were bought back and 5,460,845 were sold, with a treasury stock balance as at the 31st of December of 593,068 shares, which represents 0.34 percent of the company's share capital.

Shareholder remuneration

As approved by the Board of Directors, the TUBOS REUNIDOS GROUP has agreed to propose to the next Annual General Shareholders Meeting that no dividends shall be allocated against the profit&loss of the 2018 financial year.

Relations with shareholders and investors

The shareholder and investor relations area has held various meetings in the main national and international financial centres with private and institutional investors and met requests for information or assistance from minority shareholders through the shareholder office. All this, following the GROUP's commitment to observe the maximum degree of transparency in their relationship with the different stakeholders of the financial markets.

EVOLUTION OF TUBOS REUNIDOS IN THE STOCK EXCHANGE

	2016	2017	2018
Social capital in millions of euros	17.47	17.47	17.47
Nominal shares, euros	0.1	0.1	0.1
Number of shares, millions	174.7	174.7	174.7
Share price			
Minimum	0.50	0.73	0.14
Maximum	0.98	1.32	0.86
Latest	0.87	0.75	0.14
Average	0.73	1.02	0.42
Annual variation	47.9%	-13.3%	-80.9%
Trading volume, millions of shares			
First quarter	15.6	21.6	88.7
Second quarter	11.5	20.8	28.9
Third quarter	14.9	7.1	59.6
Fourth quarter	21.5	10.6	28.2
Total	63.5	60.0	205.4
Daily average, thousands of securities	247.2	235.3	805.4
Trading volume, millions of euros			
First quarter	9.5	21.2	43.8
Second quarter	7.5	23.6	11.2
Third quarter	10.5	7.5	26.4
Fourth quarter	18.7	8.8	6.0
Total	46.3	61.1	87.4
Daily average, thousands of securities	180.0	239.7	342.7
Capitalisation, mill. euros	151.1	131.0	25.0
(31st December) Dividends based on annual	0.0	0.0	0.0
results mill. euros	0.0		0.0

Corporate governance

The Annual Corporate Governance Report (IAGC) for financial 2018 can be consulted in full on the corporate website

(www.tubosreunidos.com) and that of the CNMV (www.cnmv.es).

Likewise, in accordance with the provisions of the Article 538 of the Capital Companies Act, the IAGC is included as a separate section of the Management Report for the 2018 financial year.

Ownership structure

The following are the shareholders with significant direct or indirect holdings in accordance with the threshold of 3% set under Royal Decree 1362/2007 dated the 19th of December:

BBVA Group	14.87 %
Concerted action Zorrilla-Lequerica Puig family	10.22 %
Alantra Asset Management SGIIC, S.A. (Managed Funds)	4.99 %
Mr Joaquín Gómez de Olea Mendaro	6.56 %
Ms Carmen de Miguel Nart	3.82 %
Mr Emilio Ybarra Churruca	3.33 %
Mr Santiago Ybarra Churruca	3.33 %

During financial year 2018 no significant changes have occurred in the shareholding structure of the TUBOS REUNIDOS GROUP. The share holding of ALANTRA ASSET MANAGEMENT SGIIC, S.A. was gradually reduced throughout 2018, passing from 9.04% in 2017 to 4.99% on the 31st of December 2018.

Board of Directors structure

The Articles of Incorporation state that the Board shall be comprised of a minimum of 5 and a maximum of 14 members. As at the 31st of December 2018 it was comprised of 9 members of the following type:

- 0 executive directors
- ▶ 6 external proprietary directors
- ► 3 independent external directors

During 2018, Mr Enrique Portocarrero Zorrilla Lequerica, Mr Francisco José Esteve Moreno and Mr Guillermo Ulacia Arnaiz have left the Board, on having voluntarily resigned for personal reasons. On the other hand, on the 27th of February 2018, the Board of Directors, following the report of the Appointments and Remunerations Committee, appointed by co-opting as Proprietary Director Mr Cristóbal Valdés Guinea, to cover the vacancy of Mr Enrique Portocarrero Zorrilla Lequerica, of the same shareholder's group, which occurred on the 2nd of February 2018. Similarly, the appointment of Mr Cristóbal Valdés was ratified at the Ordinary General Shareholders' meeting held on the 27th of June 2018. Also, the Board of Directors, following the report of the Appointments and Remunerations Committee, appointed by co-opting as Proprietary Director Mr Enrique Migoya Peláez on the 31st of May 2018, to cover the vacancy of Mr Francisco José Esteve, of the same shareholder' group, which occurred on the 17th of May 2018.

On the 15th of October 2018, the Board of Directors, following a report from the Appointments and remunerations Committee, renewed its positions and appointed Mr Jorge Gabiola Mendieta as non-Executive Chairman and as Secretary of the Board and Legal Adviser Ms Inés Núñez de la Parte.

The Board of Director meeting held on the 3rd of June 2009 unanimously adopted an agreement to create a Delegate Committee.

The Delegate Committee held no meetings in 2018.

As at the 31st of December 2018 it was comprised of the following Directors:

NON-EXECUTIVE CHAIRMAN Mr Jorge Gabiola Mendieta

MEMBER (PROPRIETARY DIRECTOR) Mr Enrique Migoya Peláez

MEMBER (PROPRIETARY DIRECTOR) QMC Directorships, S.L. (Mr Jacobo Llanza Figueroa)

MEMBER (PROPRIETARY DIRECTOR) Mr Cristóbal Valdés Guinea

MEMBER (PROPRIETARY DIRECTOR) Mr Emilio Ybarra Aznar

The number of female directors as at the 31st of December 2018 represented 22.22% of the total of the Board, compared to 20% in 2017, 18.8% in 2016 and 23.07% in 2015.

In 2018 the full Board of Directors met 15 times on a monthly basis and at extraordinary meetings and all Board decisions were adopted unanimously.

The Audit Committee has met 7 times in 2018 and as at the 31st of December it was comprised of the following members:

CHAIRMAN (INDEPENDENT DIRECTOR) Mr Juan María Román Gonçalves

MEMBER (PROPRIETARY DIRECTOR) Mr Enrique Migoya Peláez

MEMBER (INDEPENDENT DIRECTOR) Mr Jorge Gabiola Mendieta

On its part, the Appointments and Remuneration Committee held 6 meetings in 2018 and as at the 31st of December 2018 its composition was the following:

CHAIRMAN (INDEPENDENT DIRECTOR) Ms Ana Muñoz Beraza

MEMBER (INDEPENDENT DIRECTOR) Mr Jorge Gabiola Mendieta

MEMBER (PROPRIETARY DIRECTOR) QMC Directorships, S.L. (Mr Jacobo Llanza Figueroa)

The ordinary remunerations earned by the members of the Board of Directors in 2018 was of 849 thousand euros (1,286 thousand euros in 2017). 2018 included the remunerations as executive of who was Chairman of the Board until the 15th of October 2018, Mr Guillermo Ulacia.

The Board's Annual Remuneration Report will be submitted as a separate item on the Agenda to an advisory vote of the Annual General Meeting and is available to shareholders and investors on the corporate website (www.tubosreunidos. com) and that of the CNMV (www.cnmv.es).

The Annual General Shareholders Board Meeting

The company's Annual General Meeting was held on the 27th of June 2018 and there were no extraordinary meetings during the financial year.

At that meeting, the shareholders were able to fully exercise their voting rights since:

- All shareholders have the right to attend the meeting regardless of the number of shares they hold
- Each share entitles its holder to one vote
- The agreements are adopted without exception on the basis of the majorities provided for in the Capital Companies Act

The following are the attendance data (personal or proxy attendance) for the Annual General Meetings of the last three years:

2016	62.43 %
2017	63.78 %
2018	58.98 %

Control system and risk management

The 2018 IAGC includes adequate information on the Company's risk management system, the bodies responsible for developing and implementing the system, the main risks that may affect fulfilment of the objectives and the level of tolerance.

Internal financial reporting system (SCIIF)

In 2018 TUBOS REUNIDOS GROUP applied the SCIIF in accordance with the provisions of the E.U. Directives and their transposition into Spanish legislation in the National Audit Act and the Sustainable Economy Act.

For these purposes the company has installed a software application that supports the entire Group SCIIF and enables the Audit Committee to carry out its function of monitoring the financial information for the 2018 financial year with the required efficacy.

The IAGC for 2018 responds adequately to all the questions raised on the subject.

Non-financial information

In accordance with that provided for in Royal Decree Law 18/2017, of the 24th of November, which transposed to Spanish Law the Directive 2014/95/EU and to the new Law on non-financial information and diversity [of the 28th of December 2018,] (https://www.boe.es/boe/ dias/2018/12/29/pdfs/BOE-A-2018-17989.pdf] (which amended the Commerce Code and the revised text of the Capital Companies Law) in 2018 the company issued the 2018 Non-Financial Information Statement, contemplated by the reference legislation and which included the information required to understand the evolution, the results, the company's situation and the impact of its activity with respect to environmental and social matters, to the respect for human rights and to the fight against corruption and bribery, as well as that relating to personnel issues.

Follow-up to the recommendations of the unified code

The Board of Directors of TUBOS REUNIDOS has performed continuous improvement of the corporate governance of the GROUP and it may be stated that it complies with the good governance recommendations to a high degree.

TUBOS REUNIDOS GROUP CONSOLIDATED BALANCE SHEET (In thousands of Euros)

ASSETS	2018	2017	2016	2015
NON-CURRENT ASSETS	359,716	426,557	443,915	438,719
Tangible fixed assets	312,395	345,301	377,111	366,092
Other intangible assets	7,604	11,750	12,749	14,674
Investment in land and buildings	3,748	17,784	2,426	412
Non-current financial assets	220	200	186	150
Deferred tax assets	35,749	51,522	51,443	57,391
CURRENT ASSETS	167,668	137,038	128,039	199,976
Inventory	98,060	95,234	101,921	121,795
Trade debts and other accounts payable	29,423	22,123	17,741	45,810
Current tax assets	-	-	-	-
Cash and cash equivalents	40,010	18,996	8,140	32,347
Other Current Assets	175	685	237	24
DISPOSABLE GROUP ASSETS HELD FOR SALE	-	-	7,025	3,120
TOTAL ASSETS	527,384	563,595	578,979	641,815
	2018	2017	2016	2015
	105,121	144,114	181,943	244,175
Subscribed share capital	17,468	17,468	17,468	17,468
Reserves	90,535	124,578	160,807	209,601
Minority interests REVENUES TO BE DISTRIBUTED IN VARIOUS FINANCIAL	(2,882)	2,068	3,668	17,106
YEARS	4,599	13,114	13,865	15,094
NON-CURRENT LIABILITIES	231,634	265,576	210,343	226,148
Debts with credit institutions	183,546	206,659	143,763	157,306
Deferred tax liabilities	16,975	23,776	26,156	21,417
Provisions	1,952	1,932	1,916	2,937
Other non-current liabilities	29,161	33,209	38,508	44,488
CURRENT LIABILITIES	186,030	140,791	168,203	156,398
Debts with credit institutions	74,797	25,726	59,075	42,146
Current tax liabilities	-	-	-	-
Trade and other creditors	111,233	115,065	109,128	114,252
DISPOSABLE GROUP LIABILITIES HELD FOR SALE	-	-	4,625	-

INCOME STATEMENT

In thousands of euros

	2018	2017	2016*	2015*
NET TURNOVER	342,512	312,521	194,928	278,065
Other income	4,665	6,559	6,495	9,431
Variation in stocks of finished and semi-finished products	3,695	(4,756)	(450)	(9,484)
Supplies	(150,213)	(136,867)	(90,842)	(121,599)
Personnel expenses	(90,123)	(93,884)	(86,096)	(84,123)
Provision for depreciation	(27,297)	(27,755)	(24,191)	(23,519)
Other expenses	(95,535)	(74,148)	(62,840)	(69,080)
Other net earnings / [losses]	3,614	2,363	20,360	3,497
Write-offs	(22,305)			-
OPERATING RESULT	(30,987)	(15,967)	(42,636)	(16,812)
Financial income	57	76	88	56
Financial expenses	(12,144)	(13,793)	(7,294)	(6,360)
Exchange differences and others	1,155	(2,591)	409	565
Participation in the result of the financial year of associated companies	-	-	_	-
FINANCIAL RESULT	(10,932)	(16,308)	(6,797)	(5,739)
OUTCOME OF ONGOING ACTIVITIES BEFORE TAXES	(41,919)	(32,275)	(49,433)	(22,551)
Corporate income tax expense	3,042	1,847	732	7,539
RESULT OF THE FINANCIAL YEAR FOR ONGOING ACTIVITIES AFTER TAXES	(38,877)	(30,428)	(48,701)	(15,012)
OUTCOME OF THE FINANCIAL YEAR NET OF DISCONTINUED ACTIVITIES	(500)	(3,569)	(2,536)	(200)
OUTCOME OF THE FINANCIAL YEAR	(39,377)	(33,997)	(51,237)	(15,212)
Minority interests	4,950	1,600	1,063	(976)
NET OUTCOME OF THE CONTROLLING INTEREST	(34,427)	(32,397)	(50,174)	(16,188)

* For purposes of comparison the distribution and automotive businesses are presented as discontinued operations

Board of Directors and Senior Management

Board of Directors*

CHAIRMAN INDEPENDENT** Mr Jorge Gabiola Mendieta

VICE-CHAIRMAN PROPRIETARY Mr Emilio Ybarra Aznar

DIRECTOR PROPRIETARY Mr Alfonso Barandiarán Olleros

DIRECTOR PROPRIETARY Mr Enrique Migoya Peláez

DIRECTOR INDEPENDENT Ms Ana Muñoz Beraza

DIRECTOR INDEPENDENT Mr Juan María Román Gonçalves

DIRECTOR PROPRIETARY Mr Cristóbal Valdés Guinea

DIRECTOR PROPRIETARY

DIRECTOR PROPRIETARY QMC Directorships, SL (Mr Jacobo Llanza Figueroa)

NON-DIRECTOR SECRETARY

Ms Inés Núñez de la Parte

Ms Leticia Zorrilla de Lequerica Puig

^{*} As at the 31st of December 2018 it was comprised of:

^{**} Classified as "Other External" in 2019

Executive staff*

TUBOS REUNIDOS GROUP

MANAGING DIRECTOR Mr Carlos López de las Heras

ASSISTANT MANAGING DIRECTOR Mr Antón Pipaón Palacio

SALES DIRECTOR Ms Iñigo Urrutikoetxea Portugal

MANAGEMENT OF TR USA Mr Francesc Ribas Collel

TUBULAR PRODUCTS INDUSTRIAL MANAGER Mr Jon Zarandona Rekalde

INDUSTRIAL DIRECTOR TR INDUSTRIAL Mr Andoni Jugo Orrantia

FINANCIAL AND MANAGEMENT CONTROL DIRECTOR Mr Santiago Alonso Rodríguez

LEGAL ADVISORY DIRECTOR Ms Inés Núñez de la Parte

DIRECTOR SALES & OPERATIONS PLANNING Mr Miguel Garrido Iria

CORPORATE DIRECTOR Mr Jesús Pérez Rodríguez-Urrutia

M&A AND TRANSFORMATION Ms Eva Almeida Fuentes

^{*} As at the 31st of December 2018 it was comprised of:

Addresses of the TUBOS REUNIDOS GROUP

TUBOS REUNIDOS GROUP



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