TUBOS REUNIDOS, S.A.

MANAGEMENT REPORT AND FIRST QUARTER 2016 RESULTS

Amurrio, 15 May 2016 - The sharp fall in oil prices continues to impact global demand for seamless steel piping, particularly in North America, and the results of Tubos Reunidos. The net turnover in the first quarter of 2016 amounted to 69.7 million euros representing a decrease of 32% compared with the same period last fiscal year. EBITDA amounted to a negative figure of 1.2 million euros in the period.

In this context, in Tubos Reunidos we have intensified our efforts to adapt to the low levels of activity, taking advantage of the flexibility of our industrial structure, maximising efficiency in the production plants as well as in procurement processes, and by focusing firmly on reducing costs.

In addition, once the investments of our strategic plan and the portfolio development on target products have been implemented, we are accelerating active implementation of business strategies to increase service to our customers, enhancing our position in existing and new markets, especially including the development of our partnership with Marubeni Itochu Steel Inc. and JFE Steel Corporation, which allows us to diversify and increase the added value of our services globally.

The implementation of these actions, together with continued optimisation of our financial structure and optimal cash management, will enable us to weather this environment, and will also ensure the future growth and competitiveness of the company by seizing opportunities in our sector in the medium term.

Key figures for the first quarter of 2016

Consolidated ('000 EUR)	Q1 2016	Q1 2015	% var
Revenue	69.734	102.592	(32,0%)
EBITDA	(1.229)	11.114	(111,1%)
% of sales	*(1,8%)*	*10,8%*	
EBIT	(8.905)	3.288	(370,8%)
EBT	(11.337)	2.414	(569,6%)
Profit for the period	(11.155)	1.703	(755,0%)

Significant events in the period

1. Reduction of sales by falling demand and increased competition.

In the first quarter of 2016, oil prices have continued to decline compared to 2015, reaching €26.21 per barrel in January, the lowest figure in the last 10 years, with a gradual subsequent recovery. Oil and gas drilling activity has continued to decline in the quarter, with the average number of drilling rigs in North America at 23% lower than the fourth quarter of 2015 and 58% lower than the first qurter of 2015. At the end of March, 499 drilling rigs were active in North America, the lowest level on record, 282 lower than at the end of December 2015 and 629 lower than at the of march of 2015. Destocking is maintained by distributors and due to high competition.

Group sales in the period amounted to 69.7 million euros, representing a decrease of 32% compared to the same period last year. The main decline took place in the OCTG pipe segment in North America. Sales of products for high added value applications in power generation and petrochemical industries posted a better performance, although some projects offered are suffering delays in their implementation and allocation.

2. Cost savings and competitiveness plan: additional measures:

In the first quarter we continued implementing the actions included in the cost savings and efficiency improvement plan initiated in 2015 to mitigate the effect of low levels of activity and increase the competitiveness of the group structurally in the short-term.

As a result of the these measures, Tubos Reunidos is holding to the objective of obtaining cost reduction at the EBITDA level of 13 million euros in 2016 compared to 2015, and 15 million euros structurally from 2017.

In addition to the measures contained in the plan, additional measures have been implemented, including salary reductions of the Board of Directors and of the management team and temporary workforce restructuring the plans in the two plants of the Group, Tubos Reunidos Industrial and Productos Tubulares; these measures afford greater flexibility to adapt costs to the low levels of activity insofar as may be necessary. Their implementation may last up to one year from 2 May at Productos Tubulares and from 21 April at Tubos Reunidos Industrial; it may affect up to 50% of the working hours of the workers concerned.

3. Results reflected in low activity and low price levels due to the sharp decline in oil prices.

EBITDA was negative for the period in the amount of 1.2 million euros due to lower volumes and prices and reduced use of production capacity of the group's plants.

Adaptation of cost and structure efforts have mitigated reduced sales levels, although the results will be reflected to a greater extent over the next few quarters.

In the first quarter of 2016 we obtained a reduction in personnel costs compared to the same quarter of 2015 due to a smaller workforce from the second quarter of 2015 and the efforts carried out in remuneration policies. The implementation of the employment regulation record since April and May 2016 will allow to continue with the alignment of fixed costs to the levels of activity in recent quarters.

4. Completion of works for the New Threading Plant with Marubeni-Itochu Steel Inc. (MISI) to start production in the second quarter of 2016.

Operations, procurement of machinery and recruitment of staff were completed in the first quarter of 2016, resulting in the launch of the new OCTG pipe threading plant, 51% of which is owned by Tubos Reunidos and 49% belonging to Marubeni Itochu Steel Inc. through its European subsidiary Marubeni Itochu Tubulars Europe, with the Premium threading license by JFE Steel Corporation.

Activity will start in the second quarter, regarding which the new TRPT (Tubos Reunidos Premium Threads) plant has been awarded the API certification certifying its capabilities to manufacture the product as well as its management system.

The launch of TRPT allows the group to access new Premium product segments and geographic markets, with a differential value proposal with leading-edge and highly competitive technology.

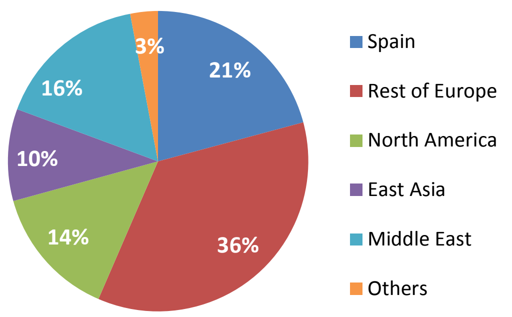
5. Reduction in recruitment of new investment and maintaining optimisation of the financing conditions and structure of the Group

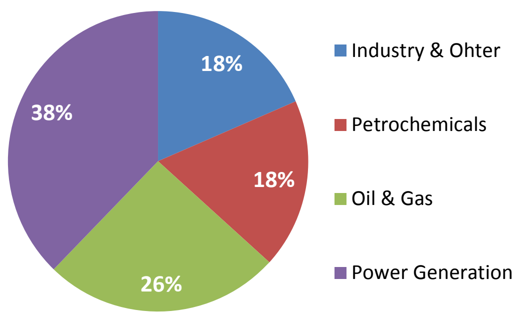
In 2015, upon completion of the investment plan of 150 million euros in new products and more competitive processes initiated in 2012, the procurement of tangible fixed assets in the first quarter of 2016 has been significantly reduced to an amount of 3 million euros, with 1.8 million euros representing the amount invested in the seamless piping business.

Investment payments, both those contracted this fiscal year and in previous ones amounting to 11.5 million euros have affected the increase in net financial debt, which amounts to 179.4 million euros as of 31 of March 2016, 12.3 million euros more than in December 2015. Smaller outstanding payments for the second half of the year coupled with the continued streamlining of working capital –which has decreased by 3 million euros in the quarter– should result in the group's debt not increasing in December 2016 compared to 2015 levels.

The funding structure of the Group remains flexible and diversified, continuing with the optimisation of its conditions. Financial expenses for the first quarter of 2016 remained at the same levels as in the first quarter last fiscal year. The financial result deteriorated as a result of the depreciation of the USD during this quarter, which generated losses due to exchange differences amounting to 0.4 million euros for the Group, compared with the reported profit of 0.9 million euros in the same period of 2015.

Market context and business performance of Seamless Pipes by sectors and geographical areas





Sales in North America are suffering further deterioration, with a downward trend from 39% of sales in the first quarter of 2015 to 14% in the first quarter of 2016, doubly affected by the meagre demand for OCTG pipes and oil and gas pipelines in the area, such as the decreased demand of mechanical piping for industrial applications. Meanwhile, sales in the Far East and Middle East continue a positive trend as a whole compared to the first quarter last fiscal year, although there have been delays in the awarding of projects.

Prospects

In the second quarter of 2016, oil prices are showing a positive trend. However, their evolution is still uncertain, as investment cuts remain, for the time being, in oil and gas drilling companies, with an increase in competition in all seamless piping consumption segments.

At Tubos Reunidos, we started this period implementing new flexibility measures to continue adapting our costs to activity levels, as well as with the entry into operation in the second quarter of the new threading plant that will generate additional sales in new markets with higher added-value products. Progress in measures to improve efficiency in operational processes and cost saving plans in all areas must provide greater results, as well as marketing efforts and obtaining of new approvals for customers for our portfolio of special products. In addition, the completion of the stock reduction process in some markets also permits a gradual improvement as the year progresses.

At Tubos Reunidos we continue to make adjustments that allow us to deal with the current market situation. Likewise, we are strengthening our commercial positioning and our service and competitiveness offer for further growth and future performance.

Consolidated Financial Statements

INCOME STATEMENT, Thousands of Euros	Q1 2016	Q1 2015	Q1 2016 / Q1 2015
Revenue	**69.734**	**102.592**	*(32%)*
Changes in inventory	(1.844)	4.822	
Supplies	(32.208)	(47.686)	
Personnel expenditure	(25.268)	(29.491)	
Other operating expenses	(13.973)	(21.904)	
Other operating income and net gains/(losses)	2.330	2.781	
EBITDA	**(1.229)**	**11.114**	***(111%)***
Depreciation and amortisation charge	(7.676)	(7.826)	
EBIT	**(8.905)**	**3.288**	***(371%)***
Financial income/(expense)	(2.432)	(874)	
Profit before income tax	**(11.337)**	**2.414**	***(570%)***
Profits tax	84	(393)	
Consolidated profit for the period	**(11.253)**	**2.021**	***(657%)***
Profit from minority interests	98	(318)	
Profit for the period	**(11.155)**	**1.703**	***(755%)***

BALANCE SHEET, Thousands of Euros	Q1 2016	Q4 2015
NON-CURRENT ASSETS	**440.296**	**438.719**
Inventories and customers	154.301	167.605
Cash and other cash equivalents	22.524	32.371
CURRENT ASSETS	**176.825**	**199.976**
Assets held for sale	3.120	3.120
TOTAL ASSETS	**620.241**	**641.815**
NET EQUITY	**232.758**	**244.175**
DEFERRED REVENUES	**14.744**	**15.094**
Non-current provisions	2.598	2.937
Bank borrowings and other financial liabilities	139.559	142.339
Fixed income securities	14.986	14.967
Other non-current liabilities	66.505	65.905
NON-CURRENT LIABILITIES	**223.648**	**226.148**
Short-term provisions	5.221	5.763
Bank borrowings and other financial liabilities	47.367	42.146
Other current liabilities	96.503	108.489
CURRENT LIABILITIES	**149.091**	**156.398**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**620.241**	**641.815**

Net financial debt	**179.388**	**167.081**