

Management report and first quarter 2017 results

Q1 2017

- Net sales amount €80 million: + 56.6% year-on-year
- EBITDA of €11 million, + 570.8% year-on-year
- Net income of €107,000, + 101% year-on-year

Amurrio-Álava, (Spain), 2 May, 2017 – Today, Tubos Reunidos announces its results for the first quarter of 2017, compared with the results for the first quarter of 2016 and the results for the fourth quarter of 2016. *For comparison purposes, the distribution and automotive segments are presented as held for sale in the first quarter of 2016.*

Guillermo Ulacia, Executive Vice Chairman of Tubos Reunidos: *"Tubos Reunidos Group returns to the positive operating result (EBITDA) it had lost during the last year. This recovery is based on the increase in sales, mainly sustained by the reactivation of oil and gas investment together with the new product catalogue of the Company and the different industrial configuration, with the start-up of the RDT (USA) and TRPT (Spain) facilities.*

Our outlook for the year is positive, as expert opinion reflects that global demand for OCTG products will be 35/40% higher than in 2016 and we expect the new production facilities to be fully operational by the beginning of the fourth quarter of the current financial year, enabling us to better capture the opportunities in the global recovery cycle, given the volatility, uncertainty and high competition that currently characterises the industry.

*In addition, the Group has decided to launch a **360 Value Creation Plan** that will be the cornerstone of its 2017-2020 Strategic Plan to ensure growth, profitability and sustainability. This plan will be reported by the end of the second quarter of 2017."*

Main Financial Figures, Consolidated Group

Consolidated ('000 EUR)	1Q 2017	1Q 2016	Change YoY	4Q 2016	Change QoQ
Net Sales	80.004	51.093	57,4%	46.987	(13,0%)
EBITDA	10.964	(2.329)	570,8%	(9.780)	212,1%
% o. sales	13,7%	(4,6%)		(20,8%)	
EBIT	3.312	(8.752)	137,8%	(19.893)	116,6%
Net income for the period	107	(11.154)	101,0%	(24.380)	100,4%

**EBITDA: Earnings before interest, taxes, depreciation and amortisation*

1.- Consolidated sales by geographical markets and areas of activity

The net turnover of Tubos Reunidos Group in the first quarter of 2017 stood at €80 million, 56.6% and 70.3% higher than the first and fourth quarters of 2016 respectively.

Revenue by geography and sector, in thousands of euros	1Q 2017	1Q 2016	Change YoY
Domestic	11.565	10.291	12%
Rest of Europe	33.758	27.898	21%
North America	28.506	7.157	298%
East Asia	6.080	4.887	24%
MENA	6.218	8.924	-30%
Others	1.127	647	74%
Refining & Petrochemical	7.516	9.019	-17%
Power generation	18.357	18.648	-2%
Oil & Gas	35.902	12.731	182%
Construction, mechanical, industrial	13.914	9.115	53%
Total consolidated	75.689	49.513	53%
Sales Volume (tons)	57.918	33.755	72%

Sales by location of the requesting client and not by destination

Pipe sales amounted to €75.7 million in the quarter, which represent an increase of 53% year-on-year following the higher volumes contracted in the fourth quarter of 2016.

This increase in sales mainly took place in North America (+ 298%) in the OCTG sector, where higher sales have offset the lower profit for pipelines and mechanical tubing in this market. The significant increase in OCTG both in volume and price was mainly due to the reactivation of the investment in shale drilling, the low level of inventories in the distribution chain and the response times of the main manufacturers to deal with the fast and growing demand.

Sales in the oil and gas sector increased 182% compared with the same period last year when adding pipeline sales made in the quarter.

By region, Europe also has shown a positive performance (+ 21%) thanks to the sale of large-diameter tubing, especially for the construction and industrial sectors and also in East Asia (+ 24%), particularly in the energy, refining and petrochemical sectors. These results validate the Group's investment commitment made under the 2104 – 2017 Strategic Plan to manufacture large-diameter stainless steel and high alloy pipes.

2.- Analysis of consolidated results

EBITDA reached a positive figure of €11.0 million in the quarter, compared with negative amounts of €2.3 million and €9.8 million in Q1 2016 and Q4 2016 respectively, which entails a change in trend towards levels prior to the fall in oil prices in mid-2014.

The EBITDA margin on sales was 13.7%, mainly resulting from the improvement in the utilisation and performance levels of the production plants, the balanced manufactured product mix and the cost improvements in the efficiency and transformation plan that have made it possible to partially absorb the higher costs of raw materials and energy.

Other operating income and profits amounted to €2 million, a 7% increase compared with the same period of the previous year, and which mainly includes work carried out on our own property, plant and equipment, the allocation to results of tax deductions and results from the disposal of property, plant and equipment.

The results from discontinued operations reached a negative amount of €1.3 million, corresponding to the national distribution business that the Company carries out through its subsidiary Almesa, a segment which was reclassified in the fourth quarter of 2016 as held for sale.

The net income for the Group increased to €107,000, compared with the €11.2 million and €24.4 million of losses in the same period of the previous year and in the last quarter of 2016 respectively.

3.- Efficiency and Transformation Plan:

Since the beginning of the crisis, Tubos Reunidos has been implementing a set of measures to adapt to the decline in demand and a reduction in the cost base, which led to a reduction of €17.8 million in the period 2014 -2016, meeting the commitments that had been set.

From this starting point, Tubos Reunidos sets new goals for improvement that are included in the 360 Value Creation Plan that aims to strengthen the Group's competitive positioning in the future.

4.- Progress towards full capacity utilisation of RDT and TRPT

RDT obtained results above the plan anticipated in the first quarter of 2017 due to the greater pace of activity and the positive development in the learning curve. The Company initiated its own processing in Houston and the direct supply of proprietary products to top level drilling companies, which are intended to improve operational efficiency and end-user performance.

The new plant, Tubos Reunidos Premium Threads (TRPT), is working ahead of its second phase forecasts, supported, among other things, by JFE Steel Corporation's premium threaded pipe

supply together with its strategic partner Marubeni Itochu Steel Inc. on the contract obtained for a leading Egyptian oil company.

5.- Cash Flow and Net Financial Debt

Operating cash flow¹ for the period amounted to a positive amount of €6.4 million which, due to the increase in sales and its corresponding investment in working capital (€11.8 million) and to net investment payments (€8.8 million) made on the basis of the 2014-2017 Strategic Plan, leads to a negative free cash flow² of €14.2 million for the quarter and a net financial debt as at 31 March of €208.9 million, compared with €194.7 millions at 31 December 2016.

Tubos Reunidos is carrying out a reorganisation of its bank debt for the next few years, which is in an advanced negotiation stage and will be completed in the coming weeks with the signing of a syndicated loan for the Group's debt.

6.- Outlook

The recovery of demand for OCTG in North America due to the increase in drilling activity will continue throughout the year. Currently, there are 122% more active platforms than in May 2016, although with the price level of oil and gas in the first quarter 2017 the pace of recovery will decrease. Market estimates expect a 2.4 times increase in demand to 5.2 million Tms in 2017, up from 2.2 million Tms in 2016.

In the rest of the activity sectors, recovery signs are more scarce and moderate or flat growth levels are being maintained, with high levels of competition.

Tubos Reunidos expects to continue its improvement in operating results obtained until 31 March into the second quarter, supported by the positive trend of incoming orders during the first quarter in both volume and price, as well as the continuation of the provisional anti-dumping measures in Europe against 16" + external diameter Chinese tubing imposed in November of 2016, which remain in force.

In a changing, highly competitive environment with more demanding customer requirements, Tubos Reunidos gives priority to the implementation of its 360 Value Creation Plan in the second half of the year, aimed at ensuring growth, profitability and sustainability of the Group.

¹ *Operating cash flow is calculated as the cash flow from operating activities before investment / divestment in working capital*

² *Free cash flow is calculated as the sum of the operating cash flow +/- working capital variations +/- net capital investments*

Consolidated Financial Statements

INCOME STATEMENT, Thousands of Euros	1Q 2017	1Q 2016	Change YoY	4Q 2016	Change QoQ
Net sales	80.004	51.093	56,6%	46.987	70,3%
Changes in inventory	11.689	(2.406)	585,8%	6.450	81,2%
Supplies	(39.438)	(19.890)	(98,3%)	(29.021)	(35,9%)
Labor costs	(24.605)	(21.140)	(16,4%)	(28.692)	14,2%
Other operating expenses	(18.723)	(11.893)	(57,4%)	(21.523)	13,0%
Other operating income and net gains/(losses)	2.037	1.907	6,8%	16.019	(87,3%)
EBITDA	10.964	(2.329)	570,8%	(9.780)	212,1%
Depreciation and amortisation charge	(7.652)	(6.423)	(19,1%)	(10.113)	24,3%
EBIT	3.312	(8.752)	137,8%	(19.893)	116,6%
Financial income/(expense)	(2.483)	(2.012)	(23,4%)	(1.447)	(71,6%)
Profit before income tax	829	(10.764)	107,7%	(21.340)	103,9%
Profits tax	240	106	126,4%	389	(38,3%)
Consolidated profit for the period	1.069	(10.658)	110,0%	(20.951)	105,1%
Profit from non continuing operations	(1.329)	(594)	(123,7%)	(4.090)	67,5%
Consolidated profit for the period	(260)	(11.252)	97,7%	(25.041)	99,0%
Profit from minority interests	367	98	274,5%	661	(44,5%)
Profit for the period	107	(11.154)	101,0%	(24.380)	100,4%

For comparison purposes, the distribution and automotive segments are presented as held for sale in the first half of 2016.

BALANCE SHEET, Thousands of Euros	1Q 2017	4Q 2016
NON-CURRENT ASSETS	440.149	443.916
Inventories and customers	146.816	119.899
Cash and other cash equivalents	11.267	8.140
CURRENT ASSETS	158.083	128.039
Assets held for sale	8.932	7.025
TOTAL ASSETS	607.164	578.980
NET EQUITY	181.498	181.944
DEFERRED REVENUES	14.222	13.865
Non-current provisions	2.008	1.916
Bank borrowings and other financial liabilities	132.592	128.720
Fixed income securities	15.062	15.043
Other non-current liabilities	62.544	64.662
NON-CURRENT LIABILITIES	212.206	210.341
Short-term provisions	3.948	4.003
Bank borrowings and other financial liabilities	72.480	59.075
Other current liabilities	116.118	105.127
CURRENT LIABILITIES	192.546	168.205
Liabilities held for sale	6.692	4.625
TOTAL LIABILITIES	607.164	578.980
Net financial debt	208.867	194.698

Information and Future Events

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