MANAGEMENT REPORT AND RESULTS AS OF 30 SEPTEMBER 2016

Amurrio, 15 November 2016

In a market environment still immersed in one of the biggest crises in its sector, with the beginning of a recovery in the North American oil and gas market, Tubos Reunidos continues to move forward with its strategy and the execution of its Extraordinary Efficiency and Transformation Plan, which forms one of its main priorities for facing the current climate and competing better in the future.

During the third quarter of 2016, Tubos Reunidos acquired the US company Rotary Drilling Tools, Inc., which, together with the completion of the new product investment plan and the agreement with Marubeni Itochu Tubulars Inc. (MISI), has brought its transformation strategy in the OCTG business to a successful conclusion, consolidating it as a supplier of Premium tubular solutions.

In July 2016, the Group obtained a license for threading its tubes with Premium connections from JFE Steel Corporation at the new plant in Alava-Vitoria, which is already in production at expected levels, after landing a high added-value order in Egypt of 11,000 MTs.

The Company has also completed the process of divesting non-strategic businesses to concentrate on its main seamless tube business, completing the sale of its automotive business in July 2016.

Net turnover in the period amounted to 161.1 million euros, down 31% compared to the same period of the previous year. EBITDA stood at negative 7.7 million euros and net income reached a negative amount of 25.8 million euros.

Consolidado, Miles de Euros	3T 2016	3T 2015	% var	9M 2016	9M 2015	% var
Importe neto de la cifra de negocio	48.025	62.035	(22,6%)	161.140	233.708	(31,1%)
EBITDA	(4.400)	(3.551)	n.a.	(7.679)	8.607	n.a.
% s. ventas	*(9,2%)*	*(5,7%)*		*(4,8%)*	*3,7%*	
EBIT	(8.849)	(8.122)	n.a.	(25.141)	(9.499)	n.a.
Resultado neto del ejercicio	(6.422)	(6.500)	n.a.	(25.794)	(8.487)	n.a.

Significant Events of the Period:

1.- Acquisition of Rotary Drilling Tools, Inc.

With the acquisition of RDT, Tubos Reunidos has obtained proprietary capacity in Houston for the processing and finishing of its tubes manufactured in the Amurrio plant, previously carried out through third parties. With this acquisition, the Group is integrating vertically towards the customer, offering an improvement of service, competitiveness and flexibility.

RDT has gained considerable recognition in the market for its innovative OCTG solutions, which are complementary to those of Tubos Reunidos, and as a result, its integration allows the Group to extend its range of Premium products and to offer a greater range of solutions to the final customer.

The purchase of the RDT business, structured as an asset purchase, means business continuity, having minimised potential risks and adjusted the size of the company structure to the current market situation, without restructuring costs.

The price paid for the acquisition was 19.6 million euros, and the Group is evaluating the effect of this business combination; as of 30 September 2016, no amount has been recorded in the Consolidated Income Statement for the year. The Group expects to complete the evaluation during the last quarter of the year, and this business combination is expected to have a positive impact on the Income Statement.

2.- Operation at full capacity of the new joint plant with Marubeni Itochu Steel Inc. (MISI) in Alava

Following its inauguration on 13 May 2016 and obtaining the Premium Threading License for JFE Steel Corporation connections in July, the new threading plant is already working at full capacity, as planned for the first phase (currently with one shift and a second to be added later).

The Tubos Reunidos Group, together with its partner MISI, have obtained a large order for an independent oil company in Egypt, which includes 11,000 TMs of Tubos Reunidos high added-value tubes, which will be threaded in the joint plant.

This programme, to be delivered over a period of approximately two years, is one of the largest of OCTG programmes Tubos Reunidos has had in its history and the first with Premium threads. Moreover, these tubes are the result of investments and innovations made by the Group to adapt its solutions to the most demanding requirements of its customers.

3.- Extraordinary Efficiency and Transformation Plan

Tubos Reunidos initiated the implementation of relevant structural measures to adapt to the fall in demand due to the sharp drop in the price of oil and investment in the energy sector.

As of September 2016, the Group is advancing positively in line with its objectives of reducing costs, which, for the year as a whole, represents a decrease of 13 million euros compared to 2015.

In addition, as a result of the deterioration of the market situation in 2016, the Group has set an Extraordinary Efficiency and Transformation Plan in motion to expand the reach of the measures already underway and accelerate their implementation, in order to obtain better results from those previously implemented, to face the short term situation better and to strengthen the group’s objective structural competitiveness.

4.- Results still affected by the continuing scenario of low demand and high competition.

The recovery of oil prices from the lows reached in January 2016, and their stabilisation in recent months, has led to the start of a recovery in investment in North America.

Thus, the number of active wells in this market has increased by 33.4%, reaching 539 (14-10-2016) compared to the minimum of 404 in May 2016, which, together with the progressive reduction of distributors’ inventory levels, has meant an increase in the demand for OCTG and sales in this segment in the Tubos Reunidos Group in the third quarter of 2016. This increase, however, has not compensated for the decrease in prices and poor sales performance in other markets affected by strong competition.

For the first nine months of 2016, the Group's sales were 161.1 million euros, affected by a second consecutive year of sharp reductions in global investment in gas oil, which has led to a reduction in the average number of wells in North

America by 52% and 72% over the same period in 2015 and 2014 respectively, and the reduction of distributors' inventories.

The results obtained from the efforts made to adapt to the environment have not offset the effects of high subactivity and lower prices, which gave the Group a negative EBITDA of 7.7 million and a negative result of 25.8 million euros in the first nine months of the year.

During the first half of 2016, some damage was caused by various fires at the Amurrio plant, which resulted in extraordinary costs during the year, mainly recorded under other operating expenses. These costs have been adequately covered by insurance policies, with the corresponding income under the heading of other income and operating profits.

In July 2016 the sale of the Automotive Segment was completed. Therefore, the Consolidated Balance Sheet as of 30 September 2016 no longer includes assets and liabilities from this Segment and its profits are presented as Interrupted Operations in the Consolidated Income Statement for the year. The Group obtained a capital gain of 4 million euros for this sale.

5.- Management oriented to the reinforcement of liquidity and financial structure.

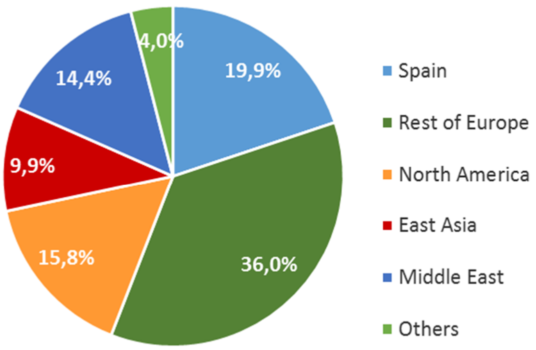
As of September 30, 2016, the net financial debt was 192.6 million euros. The sale of the Automotive Segment led to an income of 15.9 million euros during the third quarter of 2016. Moreover, the Group paid 19.6 million euros for the acquisition of the RDT business.

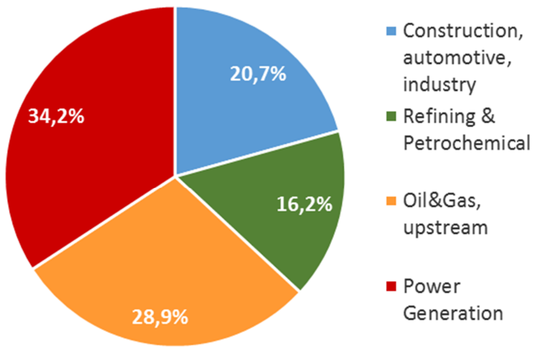
Payments for investments in the tubing business, contracted during this year and (mainly) in previous ones, amounted to 20.1 million euros, of which 10.1 million euros went to the new joint-venture threading plant with Marubeni Itochu Steel Inc. (TRPT). The contracting of property, plant and equipment in the first nine months of 2016 has been significantly reduced to a value of 3.9 million euros, when 2015 saw the end of the 150-million-euro investment plan for new products and more competitive processes which had started in 2012, meaning a significant reduction in investment payments for the coming years.

Tubos Reunidos has renewed the maturities of long-term and short-term loans and lines of credit for 2016 in accordance with plans and this has resulted in the adequate level of liquidity to cope with the current climate. The objective of debt reduction is maintained as a priority, as well as the optimisation of working capital and the reinforcement of liquidity.

Market context and evolution of the Welded Pipes activity by sectors and geographic areas

Seamless tube sales by areas and sectors





Sales of seamless pipe of the Group without including the distribution segment

Sales levels have been reduced in all sectors and markets of the Group as a result of high competition and lower prices in general.

Prospects

Current levels of oil prices have meant an increase in investment in the North American market and of the demand for tubes. Tubos Reunidos expects this trend to continue, which, together with the need for distributors to increase their inventories and the measures adopted by the Tubos Reunidos Group, would lead to an improvement in results in 2017.

On 10 November last, the EU favourably resolved the case concerning the claim by the European seamless tube industry against Chinese manufacturers of large diameter tubing, which coincides with some of the most strategic ranges produced by the Group.

This is, without any doubt, excellent news for Tubos Reunidos, as it will help to defend European markets better and will give the company more sales options for large diameter tube in the EU, as well as the possibility of better defending its prices, which have been greatly impacted by Chinese unfair competition. Moreover, it is a significant precedent for other similar cases that are being reviewed in Europe and affect others steel products.

The Group's priorities in this environment continue to be the integration of RDT, the growth and diversification of geographic markets of the joint venture with MISI, the development of the Group's new marketing model focused on the Premium product portfolio as well as the implementation of the Extraordinary Efficiency and Transformation Plan and the reinforcement of the financial and liquidity position.

Financial statements

INCOME STATEMENT, Thousands of Euros	3Q 2015	3Q 2015	3Q 2016 / 3Q 2015	2Q 2016	2Q 2015
Revenue	**48.025**	**62.035**	*(22,6%)*	**57.423**	**84.320**
Changes in inventory	(5.043)	(5.585)		435	(9.219)
Supplies	(21.271)	(32.496)		(27.368)	(35.984)
Personnel expenditure	(17.121)	(16.531)		(20.867)	(23.651)
Other operating expenses	(13.889)	(14.210)		(17.074)	(17.766)
Other operating income and net gains/(losses)	4.899	3.236		6.999	4.967
EBITDA	**(4.400)**	**(3.551)**	***n.a.***	**(452)**	**2.667**
Depreciation and amortisation charge	(4.449)	(4.571)		(6.447)	(6.767)
EBIT	**(8.849)**	**(8.122)**	***n.a.***	**(6.899)**	**(4.100)**
Financial income/(expense)	(1.579)	(1.325)		(1.818)	(2.831)
Profit before income tax	**(10.428)**	**(9.447)**	***n.a.***	**(8.717)**	**(6.931)**
Profits tax	140	2.937		97	2.661
Consolidated profit for the period	**(10.288)**	**(6.510)**		**(8.620)**	**(4.270)**
Profit from non continuing operations	3.472	(8)		493	1.092
Consolidated profit for the period	**(6.816)**	**(6.518)**		**(8.127)**	**(3.178)**
Profit from minority interests	394	18		(90)	(512)
Profit for the period	**(6.422)**	**(6.500)**	***n.a.***	**(8.217)**	**(3.690)**

BALANCE SHEET, Thousands of Euros	3Q 2016	FY 2015
NON-CURRENT ASSETS	**430.179**	**438.719**
Inventories and customers	128.110	167.605
Cash and other cash equivalents	29.948	32.371
CURRENT ASSETS	**158.058**	**199.976**
Assets held for sale	2.134	3.120
TOTAL ASSETS	**590.371**	**641.815**
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NET EQUITY	**205.382**	**244.175**
DEFERRED REVENUES	**14.408**	**15.094**
Non-current provisions	2.075	2.937
Bank borrowings and other financial liabilities	152.404	142.339
Fixed income securities	15.024	14.967
Other non-current liabilities	60.049	65.905
NON-CURRENT LIABILITIES	**229.552**	**226.148**
Short-term provisions	3.277	5.763
Bank borrowings and other financial liabilities	55.140	42.146
Other current liabilities	82.612	108.489
CURRENT LIABILITIES	**141.029**	**156.398**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**590.371**	**641.815**

Net financial debt	**192.620**	**167.081**