TUBOS REUNIDOS, S.A.

2013 ANNUAL AND FOURTH QUARTER RESULTS

Amurrio, 28 February 2013

Tubos Reunidos achieved consolidated net profit of 6.64 million euros and EBITDA of 42.24 million euros in 2013, a 12.1% margin over sales, beating the 10.7% in 2012.

The Group invested 41.9 million euros, mainly in developing new products and processes, with support for this investment in R&D&I from the European Investment Bank. Net financial debt remained stable at 181.8 million euros.

This performance and progress demonstrates the Group's resilience in the face of downturns in the cycle, boosted by its focus on efficiency and risk management, and commitment to its Strategic Investment Plan (150 million euros in 2012-2016), focusing on innovation, increasing competitiveness and developing new products and services with higher added value.

Revenues increased by 18.5% in the fourth quarter, with EBITDA up 65% on the previous quarter. The EBITDA margin over sales was 14.8%, exceeding the 10.6% in the third quarter. This improvement was achieved through the new premium large diameter tube manufacturing capacity operating at full capacity and improved efficiency in the period, whilst the economic backdrop remained little changed on the rest of the year.

Main highlights of the fourth quarter of 2013:

- **1. 12% increase in sales of premium large diameter tubes, following the investment in the early part of the year:**
    - In 2013, Tubos Reunidos invested in an innovative and more competitive system for the manufacture of a wider range of thicker, larger diameter alloyed and stainless steel tubes. These are niche products for the fastest growing and most profitable energy generation and petrochemical sectors.
    - Following the initial commissioning phases for the new facilities, which resulted in lower activity, they started operating at full capacity in the latter part of the year. This enabled higher sales in the last quarter, particularly in the large diameter stainless steel tube segment, in which Tubos Reunidos' production processes and ongoing innovation have improved its competitive advantages.

- **2. Progress in the final stages of investment and development of new Premium OCTG products (oil and gas exploration and production)**
    - Following the work done in the fourth quarter of 2013, from the first quarter of 2014 Tubos Reunidos now offers a wider range of premium OCTG tubes with special technical specifications; these are in high demand for shale oil and gas exploration and production technologies
    - The new steelworks degassing facility enables us to offer our own higher quality steels with greater purity. Our new thermal hardening and tempering line will help us meet current increases in demand by more than doubling our current capacity, whilst also offering higher quality and greater competitiveness.

<u>2013 highlights</u>:

- **1. Development of new products and improved sales mix: 65% of special products in 2013 vs. 63% in 2012** as a result of our active commercial strategy of focusing on higher added-value products and ongoing expansion of the Group's range of premium products

- **2. Completion of 50% of our 2012-2016 investment plan, with 39,4 million euros invested in the seamless steel business,** from a total of 41,9 million euros in 2013. This focused on expanding our range of premium large-diameter products and special tubes for OCTG

- **3. Increased consolidated EBITDA margin of 12.1% in 2013, up from 10.7% in 2012,** with a 13.3% margin on the seamless tubes business, backed by an improved sales mix, greater efficiency and cost control, largely offsetting the effect of lower sales volumes in the year, and a positive contribution from the distribution business. The combined margin on our *core* tube manufacturing and distribution business was 12.5%.

- **4. A robust long-term financial structure, support from the EIB and improvement of working capital:**

    - In 2013, the European Investment Bank granted the Group 59 million euros of finance for its R&D&I programme
    - Net financial debt was 181.8 million euros, with 169 million euros of this being long term.
    - Working capital was up by 25% on 2012 at 80.2 million euros, whilst investment in working capital, inventories plus accounts receivable minus accounts payable, was down by 15%, equivalent to 20 million euros.

Analysis and Key Figures for the Year and the Fourth Quarter of 2013

Consolidado, Miles de Euros	12M 2013	12M 2012	% var	4T 2013	3T 2013	% var
Importe neto de la cifra de negocio	350.451	464.727	-24,6%	87.585	73.919	18,5%
EBITDA	42.237	49.575	-14,8%	12.921	7.814	65,4%
% s. ventas	*12,1%*	*10,7%*		*14,8%*	*10,6%*	
EBIT	17.551	22.968	-23,6%	7.070	2.965	138,5%
Resultado neto del ejercicio	6.643	10.573	-37,2%	2.216	1.280	73,1%

The Group's consolidated sales for the year were 350 million euros. The *core* business -manufacture and distribution of seamless steel tubes- contributed 89% of consolidated revenues, consistent with our strategic objective of concentrating on our main business. Consolidated EBITDA, at 42.2 million euros, represents a margin on sales of 12.1%, beating the 10.7% in 2012.

Tubos Reunidos made strong progress in its management and strategy in 2013, with higher margins, an improved product mix and increased efficiency and investment. However, this was not sufficiently reflected in the Group's absolute sales and results, with the total tonnage sold falling. This was due to lower consumption in the Group's main markets -Europe and North America- and a lag in orders for projects resulting from delays in award of tenders for energy infrastructure projects in the Far and Middle East and North Africa, and because of the effects of the commissioning of the new large diameter tube facilities during much of 2013.

Tubos Reunidos' sales were worth 87.6 million euros in the fourth quarter, up 18.5% on the previous quarter. The EBITDA margin for the quarter was 14.8%, exceeding the margin in the third (10.6%) and earlier quarters, supported by an improved sales mix and greater efficiency. Net profit was up 73.1%, at 2.2 million euros

Market backdrop and trend in seamless steel tubes by geographic area

Europe (44.7% of sales): activity in Europe began to stabilize at the end of the year; however, this was not sufficient to offset the decline earlier in the year.

North America (30% of sales): oil and gas exploration and production activity remained stable in the year, although lower than in 2012 with 8% decline in active wells in the United States. The outlook for Tubos Reunidos is positive as a result of the increased capacity brought on stream by its investment in 2013.

Far East (16.5% of sales) and **Middle East** (3.9% of sales): Tubos Reunidos' sales in these regions focus on energy generation and petrochemicals with a higher content of high added value products. These sales slowed in 2013 as a result of delays to project; these are expected to materialise in 2014

Dividends

The Board of Directors of Tubos Reunidos has resolved to propose a gross dividend for 2013 to the General Shareholders' Meeting of 0.018 euros per share, a total payout of 3.1 million euros.

Outlook

With regard to 2014, the incipient recovery in the global economy is expected to consolidate, with contributions from both emerging economies and developed countries, from increasing demand for energy. Oil prices are expected to remain at levels that will support oil and gas exploration and investment, particularly in the most efficient unconventional technologies, which require products with higher added value.

Tubos Reunidos goes into 2014 having differentiated itself more clearly from the competition, with increasingly higher-value premium products, particularly in the large diameter tube and OCTG segments, in which the Group will be offering new capabilities and products from early 2014. The Group's facilities, production processes and management model are becoming ever more competitive, and we have strategically reinforced our distribution business, providing global services and solutions for our clients. These developments will enable us to achieve higher growth and profits, as our markets continue to recover.

Financial statements

INCOME STATEMENT, Thousands of Euros	2013	2012	2013 / 2012
Operating income	**368.470**	**475.502**	***-28,3%***
Revenue	**350.451**	**464.727**	***-24,6%***
Changes in inventory	1.963	240	
Work performed by the Company	5.852	2.769	
Other operating income	10.204	7.766	
Operating expenses	**(326.233)**	**(425.928)**	***-28,3%***
Supplies	(161.781)	(226.403)	
Personnel expenditure	(95.952)	(108.645)	
Other operating expenses	(77.819)	(100.282)	
Other net gains/(losses)	9.319	9.402	
EBITDA	**42.237**	**49.574**	***-14,8%***
EBITDA margin	12,1%	10,7%	
Depreciation and amortisation charge	(24.686)	(26.606)	
EBIT	**17.551**	**22.968**	***-23,6%***
EBIT margin	5,0%	4,9%	
Financial income/(expense)	**(11.429)**	**(10.443)**	
Financial income	1.170	1.613	
Financial expenses	(10.190)	(12.528)	
Exchange differences (net)	(2.405)	433	
Others	(4)	39	
Profit before income tax	**6.122**	**12.525**	
Profits tax	49	(1.477)	
Consolidated profit for the period	**6.171**	**11.048**	
Profit from minority interests	472	(475)	
Profit for the period	**6.643**	**10.573**	***-37,2%***

BALANCE SHEET, Thousands of Euros	2013	2012
NON-CURRENT ASSETS	**411.801**	**404.268**
Inventories and customers	188.100	220.148
Cash and other cash equivalents	25.798	51.295
CURRENT ASSETS	**213.898**	**271.443**
Assets held for sale	4.836	11.240
TOTAL ASSETS	**630.535**	**686.951**
NET EQUITY	**246.037**	**243.588**
DEFERRED REVENUES	**10.946**	**9.369**
Non-current provisions	15.183	17.425
Bank borrowings and other financial liabilities	169.054	160.185
Other non-current liabilities	55.656	49.064
NON-CURRENT LIABILITIES	**239.893**	**226.674**
Short-term provisions	3.839	9.611
Bank borrowings and other financial liabilities	38.568	71.019
Other current liabilities	91.252	126.690
CURRENT LIABILITIES	**133.659**	**207.320**
TOTAL LIABILITIES	**630.535**	**686.951**
Net financial debt	**181.824**	**179.909**