



TUBOS REUNIDOS, S.A.

SECOND QUARTER AND FIRST HALF 2013 RESULTS

Amurrio, 30 August 2013

Tubos Reunidos made further progress in the second quarter of 2013 on its two main priorities: 1) execution of its strategic and investment plan, designed to improve the product mix and become more competitive, and 2) adaptation of the sales policy to market conditions and strict cost control.

Main highlights:

1.- Sharp increase in order intake in the second quarter from the first thanks to the realisation of projects that had been delayed, new commercial initiatives and adaptation of the commercial policy to market circumstances.

2.- Improvement in the product sales mix in the second quarter and the order backlog in the first half:

- a. Value-added products represented 65% of sales in H1 2013** compared to 62% in Q1 2013, leaving the company on track to reach the 70% target included in the strategic plan.
- b. Improvement in the order backlog mix at the end of June**, driven by the launch of new premium products in 2013 and the better performance by the large diameter tube division, now operating at full production capacity.

3.- Combined 19% increase in sales in the Far East, Middle East and North America in the second quarter from the first, offsetting the falls in the European market. Sales in 2Q were in line with 1Q 2013.

4.- Progress on execution of investments in the Strategic Plan, which totalled 15.7 million euros in 1H 2013:

- a. New investments** in the large diameter tube plant to allow for the production of tubes of up to 28" in diameter (currently up to 24").
- b. Investment in a new degassing facility at steelworks** to manufacture special steels, which are in high demand for new shale oil and gas developments and at power generation plants.

5. Ongoing cost control, with declines of 22.6% year-on-year in other operating expenses and 7.2% in personnel expenses in H1 2013.

6. Decrease in net financial debt of 183.8 million euros to 179.2 million euros at 30 June 2013, while the company maintained a sound financial position, with 98% of debt at long term.

7. Payment on 20 June of a gross dividend of 0.023 euros per share out of 2012 profit, representing a total payout of 4.1 million euros.

Key figures for the second quarter and first half of 2013

In the first half of 2013, Tubos Reunido's core seamless stainless tube manufacturing and sale business generated revenue of 169 million euros, EBITDA of 20.6 million -leaving an EBITDA margin of 12.2%- and net profit of 3.7 million euros.

Revenue from this business was stable in the second quarter compared to the first, at 84 million euros, while EBITDA increased by 3%, which left an EBITDA margin of 12.5%, a half point above the 12% of 1Q 2013. Net profit was also higher in this business.

At consolidated level, H1 2013 revenue amounted to 189 million euros, EBITDA to 21.5 million euros -leaving an EBITDA margin of 11.4%- and profit to 3.1 million euros.

Seamless steel tubes and distribution, thousands of euros	Q2 2013	Q1 2013	Q2 2012	H1 2013	H1 2012
Revenue	83.912	85.147	114.195	169.059	230.896
EBITDA	10.461	10.180	16.260	20.641	36.385
<i>EBITDA margin, %</i>	<i>12,5%</i>	<i>12,0%</i>	<i>14,2%</i>	<i>12,2%</i>	<i>15,8%</i>
EBIT	4.348	4.027	10.665	8.375	25.165
Net profit for the period	2.283	1.452	6.640	3.735	15.007

Consolidated Group, thousands of euros	Q2 2013	Q1 2013	Q2 2012	H1 2013	H1 2012
Revenue	93.751	95.196	126.624	188.947	254.638
EBITDA	10.903	10.599	16.991	21.502	37.697
<i>EBITDA margin, %</i>	<i>11,6%</i>	<i>11,1%</i>	<i>13,4%</i>	<i>11,4%</i>	<i>14,8%</i>
EBIT	3.902	3.614	10.475	7.516	24.835
Net profit for the period	1.982	1.164	6.300	3.146	14.419

Market backdrop and trend in seamless tubes by geographic area

Europe (43,2 % of LTM sales): overall, demand in Europe remains soft, with declines in both volume and prices of seamless stainless steel tube consumption in the second quarter. Tubos Reunidos is reinforcing its position in the fastest growing areas of Eastern Europe, with special products targeting the power generation and petrochemicals segments.

North America (27,9% of LTM sales): An average of 1,761 oil and gas rigs were in operation in the second quarter. This was in line with the average for the first quarter, but below the average of 1,970 in the second quarter of last year, resulting in lower consumption of OCTG tubes this year. Demand looks set to remain stable at current levels, although the impact of the antidumping lawsuit against imports of OCTG tubes from new countries could boost prices in general, not to mention sales by Tubos Reunidos in 2013.

Far East (16,6% of LTM sales): sales in this market by Tubos Reunidos soared by 90% in the second quarter compared to the first thanks to the realisation of projects involving more specialised and higher priced products that had been delayed.

Middle East (7,5% of LTM sales): with a large volume of projects and offers in the area, Tubos Reunidos posted a 44% increase in Q2 2013 sales compared to Q1 2013, and expanded its footprint in the area with the opening of a new sales office in Dubai in May 2013. The office was set up to offer customers a “closer” service, work together more closely with local engineers and reinforce the company’s position in the face of expectations of higher demand for tubes there.

Outlook

While there are still question marks over the economies of some of our main markets, the outlook for Tubos Reunidos in the second half of 2013 is for gradual improvement from the first half. The Group started the second half with a larger order backlog and better product mix, a stronger position in the fastest growing markets and a stronger pace of order intake, having overcome the teething problems with the new production process for large diameter tubes.

Mid term, growth fundamentals for seamless tubes remain solid owing to required investment in energy projects –these represent more than 80% of the Company’s sales-worldwide.

The Group’s priorities and endeavours going forward will remain focused on executing the strategic and investment plan –by year end it will have invested nearly half of the 150 million euros called for in the 2012-2016- period-, on streamlining costs and, above all, pursuing a pro-active commercial management policy for the Group’s development in the geographic areas, sectors and segments showing the highest growth with the launch of new, higher added value products on the market and with products in which Tubos Reunidos is becoming increasingly specialised.

Financial Statements

INCOME STATEMENT, Thousands of Euros	H1 2013	H1 2012	2013 / 2012	Q2 2013	Q1 2013	Q2 / Q1 2013
Operating income	190.460	274.355	-31%	95.021	95.439	0%
Revenue	188.947	254.639	-26%	93.751	95.196	-2%
Changes in inventory	(2.953)	17.114	-117%	(512)	(2.441)	-79%
Work performed by the Company	1.152	562	105%	417	735	-43%
Other operating income	3.314	2.040	62%	1.365	1.949	-30%
Operating expenses	168.960	236.658	-29%	84.119	84.841	-1%
Supplies	83.044	133.888	-38%	42.686	40.358	6%
Personnel expenditure	52.047	56.074	-7%	25.574	26.473	-3%
Other operating expenses	38.813	50.135	-23%	20.267	18.546	9%
Other net gains/(losses)	(4.944)	(3.439)	44%	(4.408)	(536)	722%
EBITDA	21.500	37.697	-43%	10.902	10.598	3%
Depreciation and amortisation charge	13.986	12.862	9%	7.001	6.985	0%
EBIT	7.514	24.835	-70%	3.901	3.613	8%
Financial income/(expense)	(4.806)	(4.560)	5%	(2.113)	(2.693)	-22%
Profit before income tax	2.708	20.275	-87%	1.788	920	94%
Profits tax	(11)	(5.731)	-100%	(13)	2	-750%
Consolidated profit for the period	2.697	14.544	-81%	1.775	922	93%
Profit from minority interests	449	(126)	-456%	207	242	-14%
Profit for the period	3.146	14.418	-78%	1.982	1.164	70%

BALANCE SHEET, Thousands of Euros	H1 2013	Q4 2012
NON-CURRENT ASSETS	403.465	404.268
Inventories and customers	202.601	220.148
Cash and other cash equivalents	69.825	51.295
CURRENT ASSETS	272.426	271.443
Assets held for sale	10.777	11.240
TOTAL ASSETS	686.668	686.951
NET EQUITY	241.831	243.587
DEFERRED REVENUES	9.030	9.369
Non-current provisions	17.568	17.425
Bank borrowings and other financial liabilities	176.180	160.185
Other non-current liabilities	54.127	49.064
NON-CURRENT LIABILITIES	247.875	226.674
Short-term provisions	4.491	9.611
Bank borrowings and other financial liabilities	72.838	71.019
Other current liabilities	110.603	126.691
CURRENT LIABILITIES	187.932	207.321
Liabilities held for sale	-	-
TOTAL LIABILITIES	686.668	686.951
Net financial debt	179.098	179.909