Earnings release report

FULL YEAR
2018

"Our good positioning in these projects, together with the already mentioned strategic alliances, allow us to be optimistic regarding the level of placed orders this year, which we hope will be record-breaking."

Although 2018 has not yet been a year of recovery in our market, we are proud to end a financial year that for us has been successful in many respects.

In terms of results, today we present the highest EBITDA of the last decade, with 69.6 million Euro, thus demonstrating the success of our commitment to products and services with the highest technological value. We have continued to improve our positioning in key sectors with the establishment of three important strategic alliances in markets with high expected growth. Our alliance with the company Tubes 2000 for the development of nuclear energy in Egypt, our partnership with the Indian company Midhani to handle energy growth in India and the recently announced Joint Venture with Senaat, Abu Dhabi's state-owned investment group, for the development of Oil&Gas projects in the Middle East. These three alliances not only bring us closer to the end user and allow us to diversify our portfolio, but are also a sign of our ambition to become the first supplier of high-alloy tubular solutions.

Furthermore, in 2018 we continued to invest in innovation, building on state-of-the-art technological capacity and the in-depth knowledge of our products, since the development of new businesses is a key objective for the TUBACEX Group.

This effort in new developments has allowed us to register various patents which we hope to be able to present to the market between 2019 and 2020 and which will continue to drive our growth as a leading supplier of tubular solutions.

We can therefore say without a doubt that we are coming out of the longest crisis in the oil sector with a reinforced structure that will allow us to take advantage of the growth during the coming years. We expect 2019 to be a year of transition. A significant number of investment projects will get the green light and, although it will take time for them to convert into demand for our products, we anticipate a strong expansion for 2020 and 2021. In the meantime, we are in the final stages of awarding several unique, multi-year, high value-added projects. Our good positioning in these projects, together with the already mentioned strategic alliances, allow us to be optimistic regarding the level of placed orders this year, which we hope will be record-breaking. Therefore, we foresee that there will be a gradual improvement in results in 2019 as these projects are assigned and with the possibility of ending the year with the biggest backlog and highest visibility in our Company's history.

Jesús Esmorís
CEO

1 Market environment

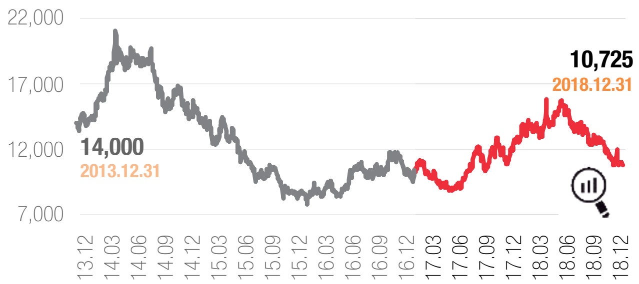
Although **commodity** prices maintained an upward trend between January and September, they underwent a sharp correction during the last quarter of the year, in line with the general uncertainty in the markets. **Nickel**, which showed a revaluation of 2.3% in September, ended December at $10,725 per ton, a fall of 12.8% in the year. However, the average price of nickel stood at 13,190 USD/ton, i.e. 26.1% more than the average price in 2017.

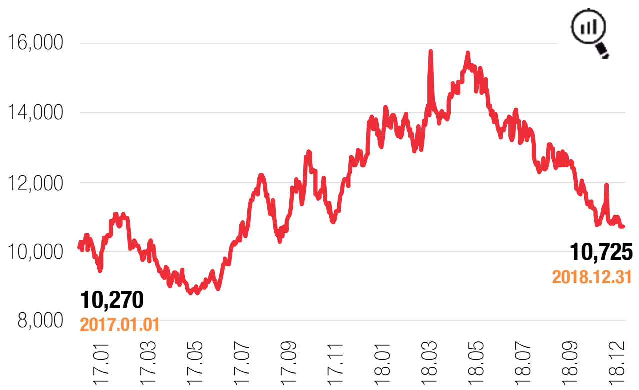
The other two alloys with significant weight in the Group's supplies for the manufacture of stainless steel are **molybdenum** and **chromium**. The price of molybdenum closed the year up 22.4% on the 2017 year-end; while the price of chromium experienced a drop (19.4%).

The positive trend maintained in the price of oil in the first three quarters has also been reversed in the last few months of the year. By September the **Brent barrel** accumulated a 23% revaluation, during the last quarter it had fallen by 35%, resulting in it ending the year in negative for the first time since 2015. The Brent barrel closed 2018 at $53.8, down 19.5% on the close of 2017.

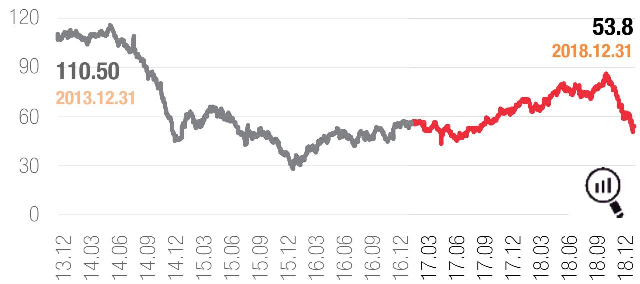
It should be noted that at the beginning of 2019 the negative trend in raw material prices reversed. Proof of this is the evolution of the price of nickel and Brent, which rose by 11.0% and 11.4% respectively at the end of January, and seem to have stabilized at around 12,500 dollars per ton and 60 dollars per barrel.

Evolution of the nickel price
DEC 13 - DEC 18 ($/TON)





Evolution of the brent price
DEC 13 - DEC 18 ($/barrel)



2 Key financial figures

Sales for the year have amounted to €677.3 million, 38.1% over the sales registered last year. This is mainly due to a gradual market improvement and an increased weight of high technological value products in the total Group sales.

EBITDA reached 69.6 million Euro, the highest since 2008, 2.7 times the figure in 2017. For its part, the EBITDA margin has also maintained the trend of annual improvement and is in double digits.

Financial figures
€M

	2018	2017	change %	Q4 2018	Q4 2017	change %
Sales	677.3	490.4	38.1%	157.4	119.8	31.4%
EBITDA	69.6	25.9	168.2%	14.3	1.7[1]	n.m.
EBITDA margin	*10.3%*	*5.3%*		*9.1%*	*1.5%*	
EBIT	34.5	(28.3)	n.m.	6.1	(28.5)	n.m.
EBIT margin	*5.1%*	*neg.*		*3.9%*	*neg.*	
Profit before taxes	19.9	(39.1)	n.m.	2.9	(32.5)	n.m.
Margin	*2.9%*	*neg.*		*1.8%*	*neg.*	
Net Profit	17.4	(19.7)	n.m.	5.0	(19.1)	n.m.
Net margin	*2.6%*	*neg.*		*3.1%*	*neg.*	

	2018.12.31	2017.12.31
Working Capital	222.2	193.0
Working Capital / Sales	32.8%	39.4%
Equity	300.4	281.8
Equity / Net Financial Debt	118.1%	111.2%
Net Financial Debt	254.5[2]	253.5
NFD/ EBITDA	*3.7x*	*9.8x*

(1) Includes extraordinary adjustments corresponding to the regularization of equipment, tooling and stocks linked to the manufacturing of conventional products in Austria which will be moved to India

(2) Includes an extraordinary effect of more than €30M due to an increase in working capital

n.m.: Not meaningful
neg.: Negative

Working capital for the year closed at 222.2 million Euro, 29.2 million more than at the end of 2017, due to an increase of almost 60 million Euro in the Group's stocks. The reason for this rise is due to two fundamental factors, on the one hand the increase in nickel stocks, and on the other the increase in the ongoing product for umbilicals. The first factor is directly linked to the purchased and unconsumed nickel corresponding to the currently suspended OCTG project for Iran, which will be allocated to various projects during 2019. With regard to umbilical tubes, the Group began mother tubes pre-manufacturing during the last quarter of the year with the aim of increasing competitiveness and reducing delivery times. This strategy has borne fruit, achieving significant orders for this tube at the end of the year. Both factors have an extraordinary effect of more than 30 million Euro on working capital, which will be corrected this year.

The net financial debt amounts to €254.5 million, which represents an increase of €1.0 million with respect to the end of 2017. It should be emphasized that due to the nature of our products which are designed for specific projects, TUBACEX products are made to order. As a result, our net financial debt is closely linked to the working capital which is mostly sold and at a net positive realization value. In fact, working capital represents 87.3% of debt and, as mentioned above, without the extraordinary effects on working capital, net financial debt would have been around 225.0 million Euro.

As has become customary regarding the Group's financial strategy, the solid financial structure should once again be emphasized, with a high cash position in excess of €190 million which will enable the Group to face maturities in the next three years, even in the worst scenario. Furthermore, the net financial debt ratio over EBITDA continues to be significantly reduced and amounts to 3.7x, compared to 9.8x registered at the close of 2017. The Group expects to maintain this gradual improvement trend until reaching its strategic objective of 3x.

In terms of future prospects, TUBACEX anticipates 2019 to be very similar to 2018 in terms of results, provided that there are no significant delays in awarding the projects that the Group is currently negotiating. Furthermore, taking into account the size of these projects, it is likely that 2019 will be a record year in terms of placed orders and will close with a backlog that provides great visibility for the coming years.

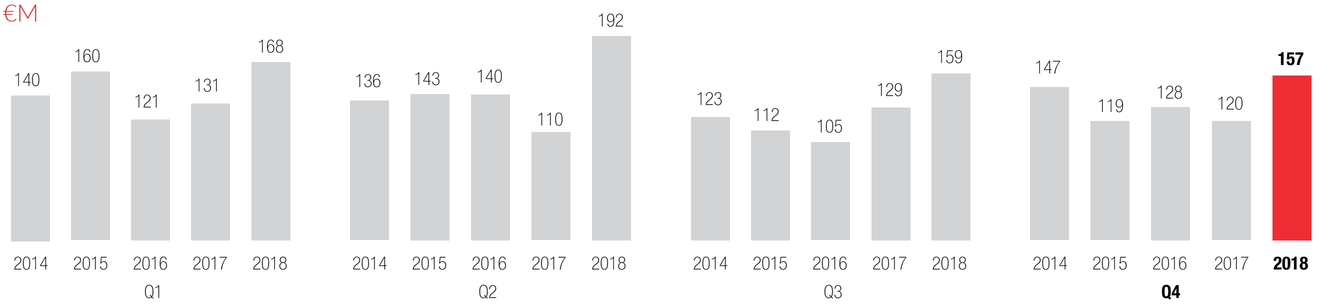
Quarterly evolution

The last quarter of the year has been affected by the discontinuity of the important OCTG order for Iran after the US sanctions. Despite this, the gradual and general improvement of the market allows us to present strong quarterly results.

The sales figure for the quarter stood at €157.4 million, up 31.4% on sales for the last quarter of 2017, as a result of the increased volume and favorable invoiced mix. EBITDA stood at 14.3 million Euro, compared to 1.7 million Euro in the same quarter in 2017.

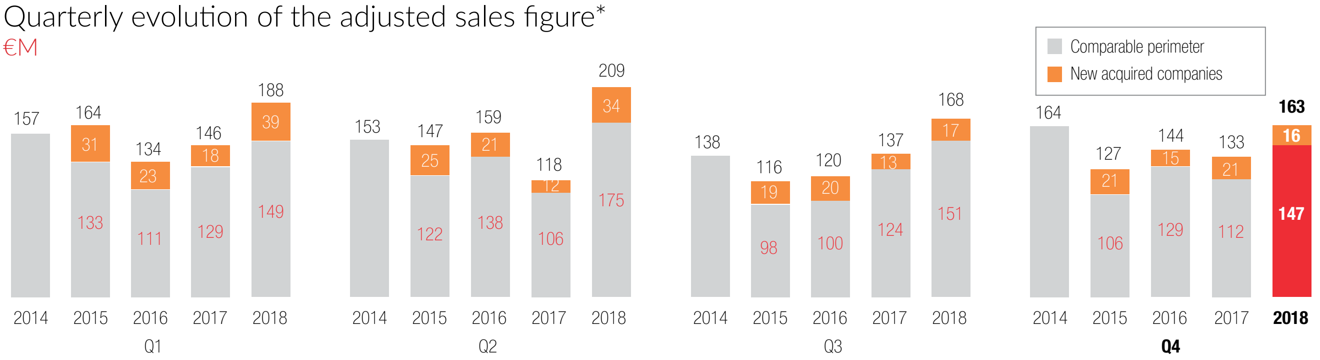
Quarterly evolution of the sales figure (€M)

€M



Quarterly evolution of the adjusted sales figure*

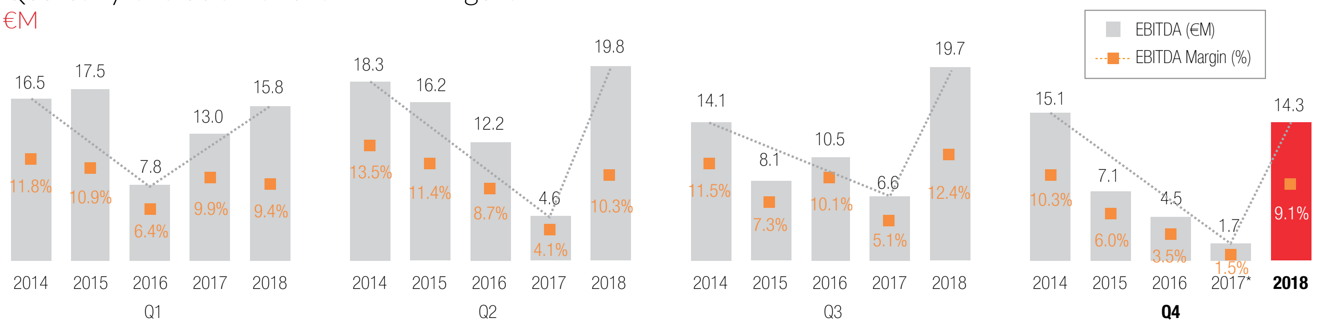
€M



*Sales figure calculated assuming the stable nickel price of 2012.

Quarterly evolution of the EBITDA figure

€M



* *EBITDA generated in the fourth quarter of 2017 includes extraordinary adjustments corresponding to the regularization of equipment, tooling and stocks linked to the manufacturing of conventional products in Austria which will be moved to India*

Proposal for the distribution of results

In line with the TUBACEX Group's commitment, the Board of Directors proposes the distribution of 6.0 million Euro as dividend, which represents a payout of 34.5%. Given that a total interim dividend of 3.0 million Euro from 2018 results was paid on January 18, the supplementary dividend payable amounts to 3.0 million Euro. In per share terms, the dividend paid in January was €0.023 and an equal supplementary dividend is proposed.

3 Business evolution

Evidence of sector recovery and the activation of projects which were put on hold during the crisis encourage us to predict a progressive recovery of activity will take place in forthcoming years.

The turnover through the **distribution channel** has increased for the first time in 4 years, thanks to the development of TSS (Tubacex Service Solutions) and the growth of our stocks in Asia, facilitating the application of successive price increases. This, combined with the price of raw materials and oil, can be considered an early indicator of a sustained and consistent recovery of the energy sector in OpEx and CapEx terms.

The direct engineering and end client sales channel still stands as the main sales channel concentrating 73% of the Group's consolidated turnover for the year. This percentage clearly reflects the success of the Company's strategy of intensifying its position in high value-added products and services sold directly to the end user.

The Oil&Gas E&P sector accounts for 52% of the Group sales through this channel, with 41% corresponding to Gas and 11% to Oil. This significant percentage is mainly the result of high production volumes in OCTG and tubes for Umbilicals. The OCTG tube has undergone a clear increase in sales in 2018 thanks to Iran's project, supplied from March to November and currently on hold following US sanctions. Although the suspension of this order indicates a decrease in the turnover of this product in 2019, it is expected that the number of placed orders will reach significant figures upon awarding very important orders in the Middle East.

Within the SURF segment (Subsea, Umbilicals, Risers and Flowlines) we have to highlight the good performance of Umbilical tubes, which reached record sales levels in 2018. In addition to supplying a significant volume of umbilicals for the BP project in Shah Deniz (Azerbaijan), the volume of orders in the first months of 2019 has remained on the rise with significant orders such as Barracuda or Manuel in the Gulf of Mexico, which makes us optimistic for the coming years.

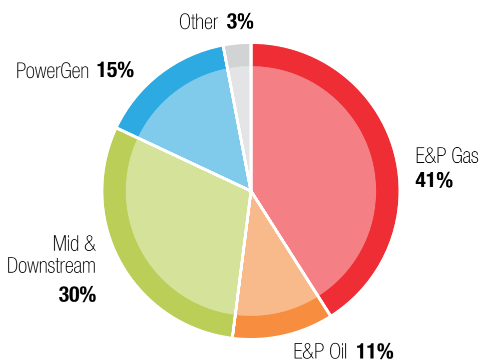
Standardization continues in the fossil **power generation** industry after the 2017 adjustment with China at the head, where the TUBACEX Group has participated in the Fugu, Chnagle and Fengcheng projects, among others. In addition to the improvement in the Chinese market, it is worth highlighting the improvement in commercial positioning in India and South Korea, where significant growth is expected in the coming years. TUBACEX has developed new advanced steels which, together with Shot Peening technology to improve their resistance, are proving to be the best solution for this demanding market and allow the Group to participate in and drive the growing global trend in favor of sustainability in the energy sector by reducing CO2 emissions.

Regarding nuclear power, TUBACEX is supplying pipes for the Hinkley Point UK project designed by Areva and in late 2018 signed a Letter of Intent in Egypt for the supply of products and services for the four nuclear units of El Dabaa nuclear project. This initiative is aligned with the Group strategy oriented to signing framework agreements in strategic collaboration with national governments.

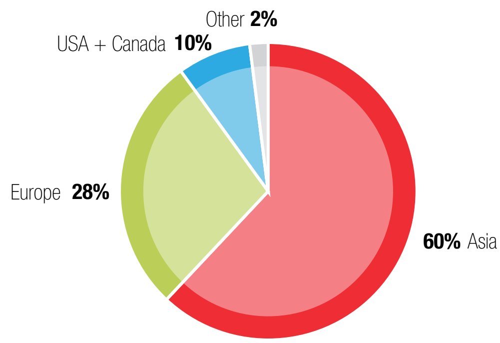
The **Mid and Downstream** sector has shown partial recovery in terms of new project awards. Specifically, the tube for refinery furnaces, in which TUBACEX is the market leader, improved in 2018. Geographically speaking, the Group's growth in the Chinese market is noteworthy in this sector, with important projects such as the Yantai Wanhua Ethylene Project and the Dongying Hydrocracking Project, which is compensating for the moderation in the conventional power generation market.

Breakdown of direct sales to engineering firms and end-users 2018

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia remains the Group's main market with 60% of sales due to its high exposure to E&P of Gas segment as well as to power generation. As growth projections in this region are high for the forthcoming years, the Group keeps on reinforcing its industrial and commercial presence in this area.

4 Highlights

Joint venture with MIDHANI

January 2019

TUBACEX and the Indian company Mishra Dhatu Nigam Limited (MIDHANI) have signed a statement of intent to handle the India energy growth plan. This agreement will allow the joint development of advanced materials for the energy sector, as well as the promotion of local manufacturing capacities.

The alliance between TUBACEX and MIDHANI, specialized in the manufacture of special steels will enable a further step towards highly demanding technical projects, which require materials exposed to extreme conditions. The alliance would improve TUBACEX's positioning in India, the region with the highest growth in energy infrastructures in the coming years.

Acquisition of remaining 35% of IBF

January 2019

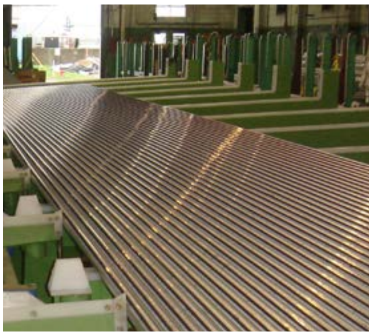
In January 28, TUBACEX carried out the acquisition of the 35% it did not own of the Italian company IBF S.p.A., paying out 11 million Euro. The TUBACEX Group acquired 65% of IBF at the beginning of 2015 as part of its strategy to become a global supplier of tubular solutions. With the acquisition of IBF, TUBACEX completed its range of products in the oil and gas and energy sector and became the only seamless stainless steel tube manufacturer capable of offering the full range of dimensions, and entered the pipe accessories (fittings, elbows, tees, caps, etc.) market as a manufacturer with a leading position.

TUBACEX and SENAAT join forces to grow in the Middle East

February 2019

TUBACEX and SENAAT, Abu Dhabi's state-owned industrial investment group have joined forces to undertake investment projects in the Oil and Gas sector in the Middle East. This alliance aims to become one of the largest industrial platforms for premium tubular solutions in the Middle East. The first step of this joint venture has been the acquisition of the Nobu Group, a company specializing in repairing and maintenance and manufacturing machined stainless steel components for the Oil and Gas industries.

With this takeover, TUBACEX reinforces its position in a key region and advances its strategy of becoming a global supplier of tubular solutions, significantly strengthening its product portfolio for the upstream sector



5 TUBACEX on the stock market

Share evolution

JAN 18 - DEC 18

The last quarter of 2018 was characterized by the generally poor performance of the stock markets. TUBACEX shares underwent a correction of 21.4% during the said period, in line with the performance of the other companies in the sector. In annual terms, it suffered a depreciation of 25.4%.

At year end, TUBACEX's share price was at €2.50, representing a market capitalization of €332.4 million compared to €445.5 million in 2017.

Regarding share liquidity, the number of shares traded from January to December 2018 amounted to 77.2 million stocks, with effective trading of €244.8 million. The share turnover was 58% of capital compared to 77% the previous year.

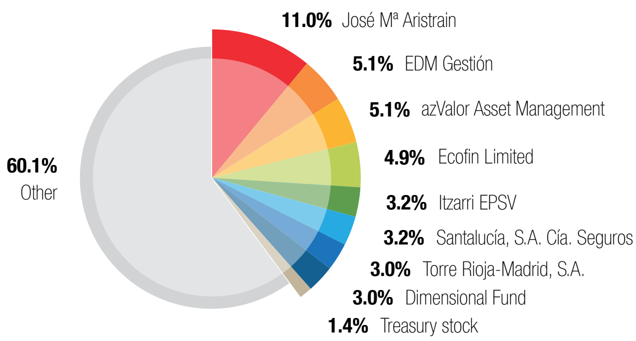
Shareholding

2018.12.31

In the fourth quarter of the year, there was only one change in the structure of the Group's significant shareholders. On December 11, Santalucía S.A. Insurance Company notified the CNMV the holding of 3.2% of the share capital.

This movement joins those already produced in the three previous quarters. On the one hand, EDM and azValor increased their respective significant shareholdings, the former from 3.1% to 5.1% and the latter from 3.0% to 5.1%. On the other hand, Dimensional Fund Advisors reported in September a significant shareholding of 3.0%.

Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 31st December 2018 is as follows:



Source: CNMV (Spanish Securities Exchange Commission

6 Key financial figures

Consolidated balance sheet
€M

	2018.31.12	2017.31.12	change %
Intangible assets	51.9	51.9	0.1%
Tangible assets	267.7	272.4	-1.8%
Financial assets	73.9	77.5	-4.6%
Non-current assets	**393.5**	401.8	**-2.1%**
Inventories	308.5	248.6	24.1%
Receivables	76.9	75.5	1.9%
Other account receivables	16.8	18.9	-11.1%
Other current assets	4.7	6.2	-24.9%
Derivative financial instruments	1.8	0.3	n.m.
Cash and equivalents	190.1	154.9	22.7%
Current assets	**598.7**	504.3	**18.7%**
TOTAL ASSETS	**992.2**	**906.2**	**9.5%**
Equity, Group Share	274.4	257.2	6.7%
Minority interests	26.1	24.6	6.0%
Equity	**300.4**	281.8	**6.6%**
Interest-bearing debt	138.6	79.7	73.9%
Derivative financial instruments	0.7	1.9	-63.6%
Provisions and other	34.7	38.0	-8.6%
Non-current liabilities	**174.0**	119.7	**45.4%**
Interest-bearing debt	306.0	328.7	-6.9%
Derivative financial instruments	1.6	5.1	-68.8%
Trade and other payables	163.1	131.0	24.5%
Other current liabilities	47.1	39.8	18.2%
Current liabilities	**517.8**	504.7	**2.6%**
TOTAL EQUITY AND LIABILITIES	**992.2**	**906.2**	**9.5%**

n.m.: Not meaningful

Consolidated income statement

€M

	2018	2017	change %	Q4 2018	Q4 2017	change %
Sales	677.3	490.4	38.1%	157.4	119.8	31.4%
Change in inventories	(26.3)	20.4	n.m.	(16.9)	3.8	n.m.
Other income	12.8	10.7	19.2%	6.2	4.4	41.7%
Cost of materials	(330.3)	(274.7)	20.2%	(64.5)	(73.8)	-12.6%
Personnel expenses	(133.5)	(121.4)	9.9%	(35.4)	(32.1)	10.2%
Other operating costs	(130.4)	(99.4)	31.3%	(32.6)	(20.4)	60.0%
EBITDA	69.6	25.9	168.2%	14.3	1.7	n.m.
EBITDA Margin	10.3%	5.3%		9.1%	1.5%	
Amortization	(35.1)	(54.2)	-35.2%	(8.2)	(30.3)	-72.9%
EBIT	34.5	(28.3)	n.m.	6.1	(28.5)	n.m.
EBIT Margin	5.1%	neg.		3.9%	neg.	
Financial Result	(14.6)*	(10.8)	34.4%	(3.2)	(4.0)	-20.3%
Profit Before Taxes	19.9	(39.1)	n.m.	2.9	(32.5)	n.m.
Profit Before Taxes Margin	2.9%	neg.		1.8%	neg.	
Income taxes	(2.5)	15.0	n.m.	1.2	11.4	n.m.
Consolidated Net Income	17.4	(24.1)	n.m.	4.1	(21.1)	n.m.
Minority interests	(0.0)	4.4	n.m.	0.9	2.1	-56.5%
Net Income, Group Share	17.4	(19.7)	n.m.	5.0	(19.1)	n.m.
Net Margin	2.6%	neg.		3.1%	neg.	

n.m.: Not meaningful
neg.: Negative

* The financial expenditure as of 2018 includes €4.5 million corresponding to guarantee execution and bank structuring of multi-annual Premium product projects.

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