Earnings Release

1st HALF
2019

TUBACEX GROUP

"...our order intake for the first six months has increased by 40% with respect to the same period in 2018 and we expect this tendency to continue throughout the year."

After more than four years of crisis in the energy sector, the first signs of recovery started to emerge at the end of 2018. Today, having closed the first half of 2019, we can talk of a general and progressive recovery of the market.

The maintenance of the price of energy and raw materials at reasonable levels, solid investment activity in the gas production and transformation sector along with the unsustainability of such a prolonged period without investment are supporting this recovery.

At the close of the first quarter of the year, we indicated that the TUBACEX order intake was growing month by month and reached levels unseen since the beginning of the crisis. This situation has been maintained during the second quarter. Proof of this is that our order intake for the first six months has increased by 40% with respect to the same period in 2018 and we expect this tendency to continue throughout the year.

It is important to highlight that the recovery that we are witnessing is gradual and general in all sectors.

As for the oil and gas extraction sector, we currently have a record portfolio in umbilical offshore tubes, with deliveries that cover much of the capacity for 2020. We are also still immersed in the final phases of the award and signing of several framework agreements in OCTG, which will fill our manufacturing capacity for the forthcoming years. The prospects are also positive in Mid&Downstream and in power generation, where we foresee an important structural upturn in the nuclear business over the forthcoming years.

Looking towards the second half of the year, we expect the levels of activity to be maintained in line with those of the first half and the portfolio will increase significantly with the award of unique orders that are currently in the final phase of negotiation. We foresee that this will be a record year in order intake for TUBACEX, the impact of which will be seen in 2020 and 2021, leading us to fulfill the objectives of our strategic plan.

Jesús Esmorís
CEO

1 Market environment

The first half of 2019 has been characterized by an overall upward trend in the **raw materials** markets, consolidating the revaluations reached in the first three months of the year during the second quarter.

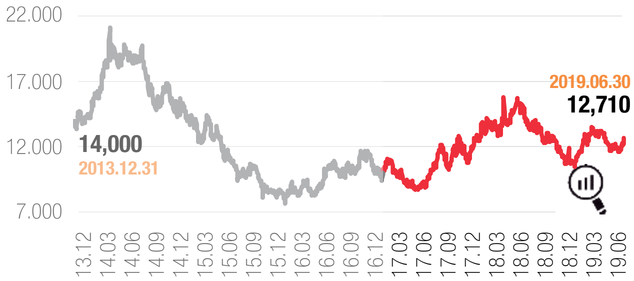
The price of **nickel** closed the month of June at $12,710 per ton, which represents an accumulated revaluation of 18.5% in the year.

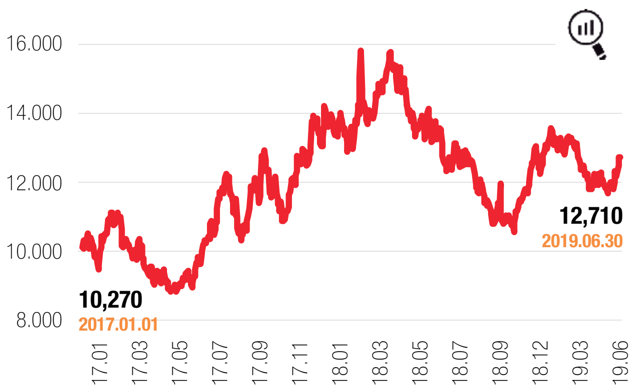
The other two alloys with significant weight in the Group's supplies for the manufacture of stainless steel are **molybdenum** and **chromium**. The price of molybdenum has remained in line with the 2018 year-end, while the price of chromium has fallen by 7%.

The **oil** price has also maintained a positive trend. The Brent barrel closed June at $66.55, up 23.7% on the 2018 year-end, without ruling out more significant increases due to the geopolitical tension combined with the fragile and deteriorated supply–demand balance caused by a lack of structural investments in the past 4–5 years.

Evolution of the nickel price

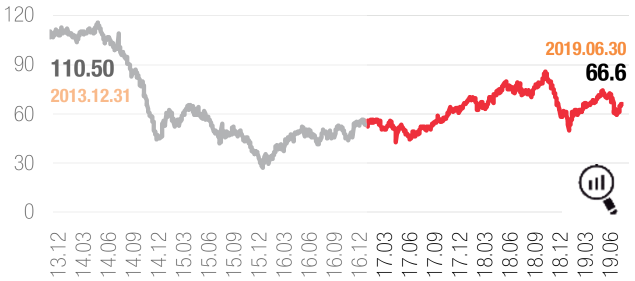
DEC 13 - JUN 19 ($/TON)

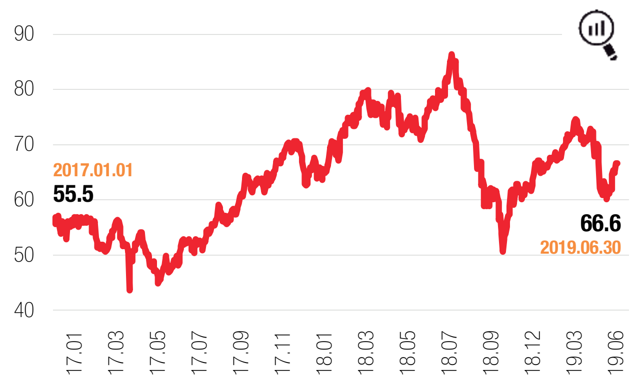




Evolution of the Brent price

DEC 13 - JUN 19 ($/barrel)





2 Key financial figures

The results for the first half of the year show that the market recovery that began at the end of 2018 has been maintained and is becoming more and more consolidated in each quarter.

Sales in the first half of the year amounted to €323.5 million, down 10.3% on sales for the first half of 2018, mainly as a result of lower volumes of OCTG tubes. However, it must be highlighted that the overall improvement of the market has led to a more balanced generation of results within the Group, which in turn enables better operating leverage ratios for all business units and, therefore, increased consolidated margins. Therefore, the EBITDA has closed June at €33.3 million with a margin of 10.3%, which is higher than the margin of 9.9% obtained in the same period of the previous year.

Financial figures
€M

	H1 2019	H1 2018	change %	Q2 2019	Q2 2018	change %
Sales	323.5	360.6	-10.3%	180.0	192.1	-6.3%
EBITDA	33.3	35.6	-6.4%	19.0	19.8	-4.0%
EBITDA margin	*10.3%*	*9.9%*		*10.6%*	*10.3%*	
EBIT	13.3	16.3	-18.4%	8.8	9.8	-9.8%
EBIT margin	*4.1%*	*4.5%*		*4.9%*	*5.1%*	
Profit before taxes	8.2	9.2	-11.1%	6.5	6.3	3.0%
Margin	*2.5%*	*2.5%*		*3.6%*	*3.3%*	
Net Profit	5.0	6.7	-25.3%	3.3	4.3	-25.1%
Net margen	*1.5%*	*1.9%*		*1.8%*	*2.3%*	

	2019.06.30	2018.12.31
Equity	281.7	274.4
Equity / Net Financial Debt	104.9%	107.8%
Working Capital	236.8	222.2
Working Capital / Sales	37.0%	32.8%
Structural Net Financial Debt (1)	31.7	32.2
Total Net Financial Debt	268.5	254.5
NFD/ EBITDA	*4.0x*	*3.7x*

(1) Total Net Financial Debt - Working Capital

The working capital has closed the half year at €236.8 million, up €14.6 million on the close of 2018. It must be remembered that the working capital figure includes extraordinary effects conditioned by three essential reasons:

i. the increase in nickel stocks purchased and unconsumed corresponding to the OCTG project that was canceled at the end of 2018. Since the nickel was acquired at a lower value than the current market value, it provides a significant competitive advantage as it is being assigned to current projects as well as projects that the Group expects to obtain in the short term.

ii. the pre-manufacturing of mother tubes for the umbilical tube sector which began with the aim of increasing competitiveness and reducing the delivery time for this type of tube. This strategy has proven successful as it currently has a record backlog that covers much of the capacity for 2020.

iii. the overall increase in activity in all units of the Group.

The net financial debt amounts to €268.5 million, reaching 4.0x EBITDA. The increase in the debt figure is closely linked to the working capital which is mostly sold at a net positive realization value. The working capital represents 88.2% of the debt, so the company's structural financial debt without including the working capital stands at €31.7 million.

In this respect and as has become customary regarding the Group's financial strategy, the Group's solid financial structure should once again be emphasized, with a sound cash position close to €200 million, which will enable it to face maturities until 2025.

The Group expects the debt ratio to stand at between 3x and 4x by the end of the year, in order to reduce it to below 3x and hence fulfill the strategic objective in 2020.

As for future prospects, TUBACEX foresees a second half in line with that of the first, maintaining the gradual market improvement. This improvement, along with the award of important orders that is expected in the short term, will lead to a year-end with a record intake figure and much visibility for the forthcoming years.

Quarterly evolution

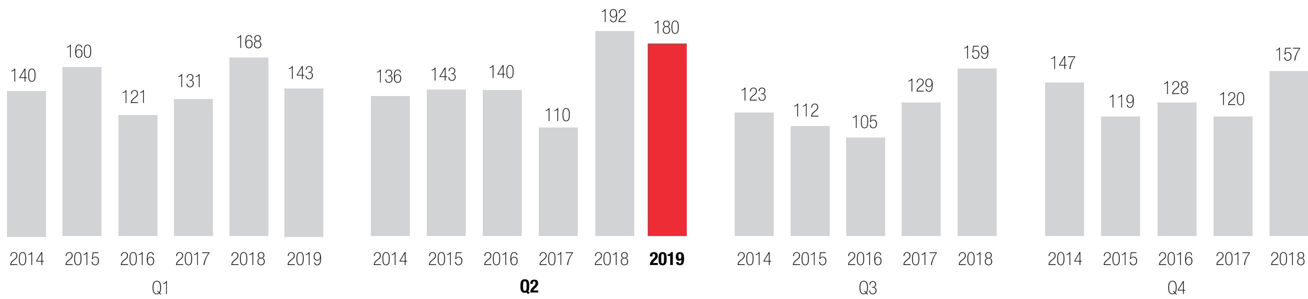
The second quarter of 2019 has maintained the upward tendency in terms of results and margins as shown in the first quarter.

Sales for the quarter amounted to €180 million, down 6.3% on sales for the second quarter of 2018, mainly as a result of lower volumes of OCTG tubes.

The EBITDA stood at €19.0 million, in line with the EBITDA for the second quarter of the previous year, with a margin of 10.6% that compares to 10.3% achieved in 2018.

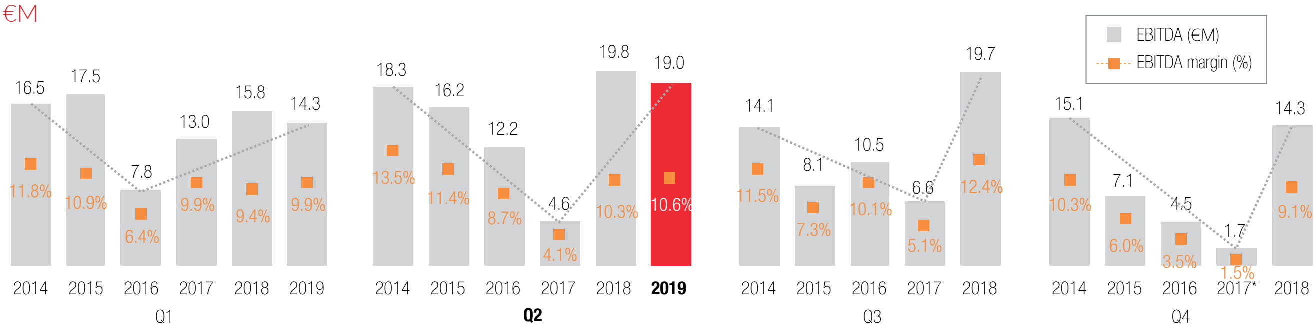
Quarterly evolution of the sales figure

€M



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*

3 Business evolution

The signs of recovery in the sector and the activation of projects that were stopped during the crisis enable a progressive recovery of activity to be foreseen over the forthcoming years, along with a solid base derived from multi-year projects, which are currently in the final phases of negotiation and structuring.

Turnover through the distribution channel has continued with its positive trend which began in 2018 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 **Oil&Gas E&P** sector is experiencing a significant increase in terms of the activation of important projects, mainly in the Middle East. The international environment and the objective of reducing CO2 emissions has increased the tendering for large gas extraction projects, which will be resolved over the forthcoming months.

Within the **SURF (Subsea, Umbilicals, Risers and Flowlines)** segment, it is necessary to mention the record order intake in Umbilical offshore tubes, with orders for the production centers in Austria and Spain. More specifically, TUBACEX won its second largest contract in its history of umbilicals in May: the Tortue project for the English oil company, BP. Thanks to this project, among others, the Group has its largest ever backlog in umbilical offshore tubes and the prospects for this market continue to be positive.

In the product segments aimed at nuclear and conventional **power generation**, TUBACEX has positioned itself as the leading supplier of high value tubular solutions, increasingly seeking the latest generation energy efficiency and a reduction in the volume of CO2 emissions.

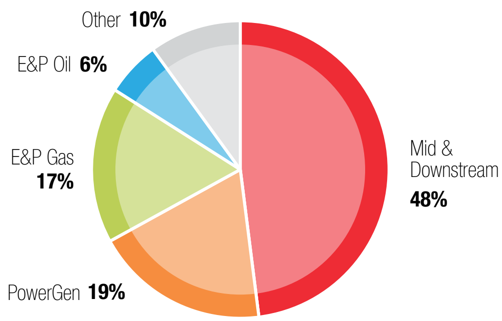
As for coal-fired power generation, TUBACEX has obtained significant orders during the first six months for several large power stations and the forecast is good for the rest of the year. China continues to be the market with the highest demand, followed by India, which has an ambitious plan to update its obsolete design fleet for one with an Ultra Supercritical technological base.

As for nuclear activity, TUBACEX expects to receive important orders in Europe throughout the rest of the year thanks to its good positioning through its GNMS platform in the project that EDP is building in England. It also expects to receive strategic orders within the EDP "Grand Carenage" program for its large dimension special parts unit in IBF. These orders will be a milestone that will strengthen the Group's position as a technological collaborator with the French electrical company.

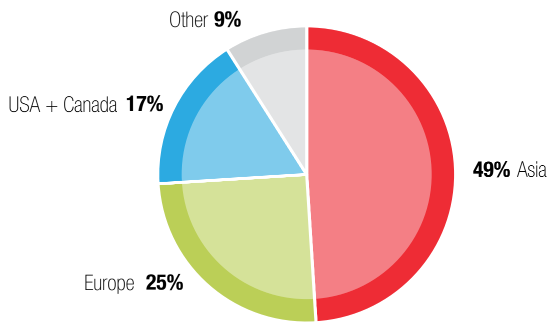
The **Mid and Downstream** sector has also shown great dynamism during the first half of the year. In Downstream applications, performance has been extremely positive thanks to the final award phase of several strategic projects for the construction of new refineries and the supply of premium products for petrochemical plants. As for the Midstream market, demand has continued with its upward trend, with orders for offshore platforms and FPSOs and the award of significant contracts for Saudi Arabia and Petrobras, in which the supply of the Group's high-end products and solutions has been a key factor, as well as its complete dimensional range. In the second half of the year, it is expected that this positive trend will continue, with good prospects particularly in Asia and the start of the construction works for various gas liquefaction plants (LNG) in the USA and Russia.

Breakdown of direct sales to engineering firms and end-users
1H 2019

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia remains the Group's main market with 49% of sales due to its high exposure to gas extraction E&P 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

Acquisition of the Nobu Group

February 2019

In February 2019, the acquisition of the Nobu Group was announced, whereby this operation has now been completed and the company is fully integrated in the Group's operations. This acquisition is the first step in the Joint Venture made up of TUBACEX and SENAAT (Abu Dhabi's state-owned investment group) to jointly handle Oil&Gas investment projects in the Middle East and which aims to become one of the largest industrial platforms for premium tubular solutions in the Middle East. The Nobu Group is specialized in the repair, maintenance and manufacture of machined stainless steel components for the oil and gas industries.

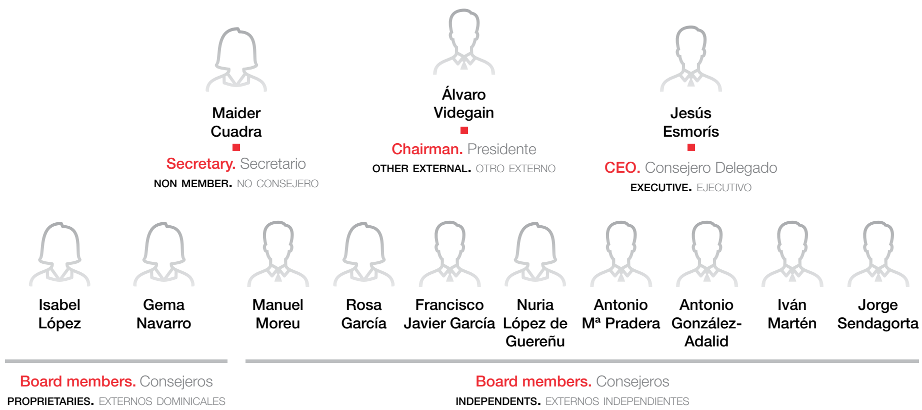
With this takeover, TUBACEX reinforces its position in a strategic region and advances its strategy of becoming a global supplier of tubular solutions, significantly strengthening its product portfolio for the upstream sector.

Shareholders' annual general meeting

May 2019

TUBACEX held its Shareholders' Annual General Meeting on May 22nd, in which the Annual Accounts, Management Report and Corporate Governance Report corresponding to the 2018 financial year were approved. Furthermore, the AGM analyzed and approved the proposal for the allocation of results as of December 31st, ratifying the interim dividend payment of €3,000,000 paid on January 18th, 2019 and the payment of an additional dividend of the same amount on June 3rd.

Among the rest of the agreements adopted, those related to the composition of the Board of Directors can be highlighted. The appointment of Mr. Francisco Javier García Sanz and Ms. Rosa García García as Independent Directors and Ms. Gema Navarro Mangado as Proprietary Director were approved. Likewise, the re-election of Ms. Nuria López de Guereñu Ansola, Mr. Antonio María Pradera Jauregui and Mr. Manuel Moreu Munaiz as Independent Directors and Mr. Jesús Esmorís as Executive Director, as well as Mr. Álvaro Videgain as external Board Member was also approved.



New Composition of the Board of Directors.

Share buyback program

June 2019

In June, TUBACEX notified the CNMV (Spanish Securities Exchange Commission) of the implementation of a share buyback program.

The aim of this program is the acquisition of a maximum of 270,000 shares to fulfill the commitments adopted in the employee incentives plan approved by the Shareholders' General Meeting and the Board of Directors.

New pilger at SBER

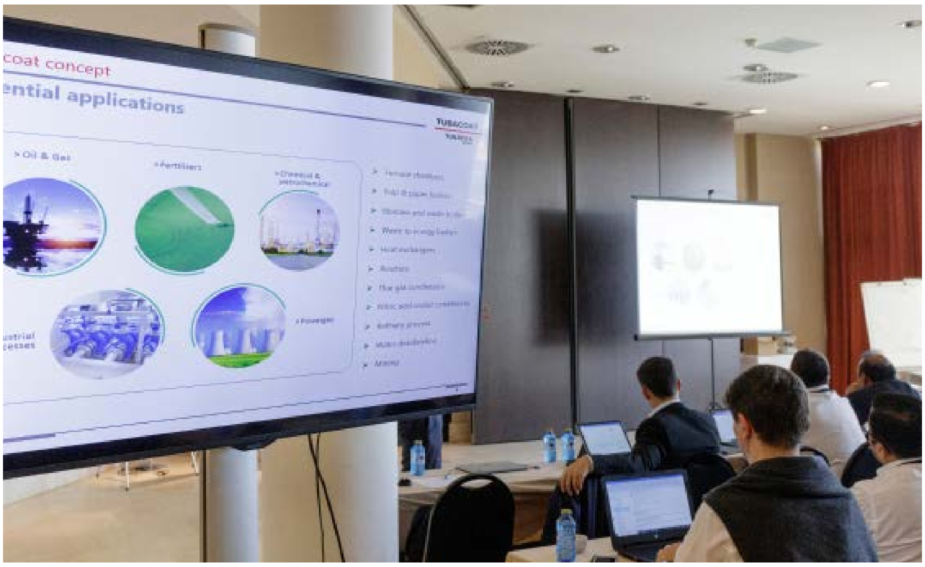
H1 2019

TUBACEX has installed a new pilger at Ternitz (Austria) as part of its strategic plan to increase the production capacity of SBER in the heat exchange and umbilical tubes segments, which represents a step forward in the Group's strategy as far as high added value products are concerned.

Furthermore, in-line tube cleaning technology has been developed, which is absolutely innovative and specific to this project, which will be extended to other Group plants once it has been industrialized.

Exclusive products, such as umbilical tubes and Ni-based tubes for heat exchange in super-austenitic grades, require de-greasing and deep cleaning prior to moving on to the bright annealing phase to conserve the final resistance to corrosion properties.

The initial results of this technology show the most promising internal diameter cleaning levels ever achieved in long tubes with a small diameter



5 TUBACEX on the stock market

Share evolution

JAN 19 - JUN 19

Following the overall poor market evolution in the final months of 2018, 2019 has kicked off by reversing this negative trend.

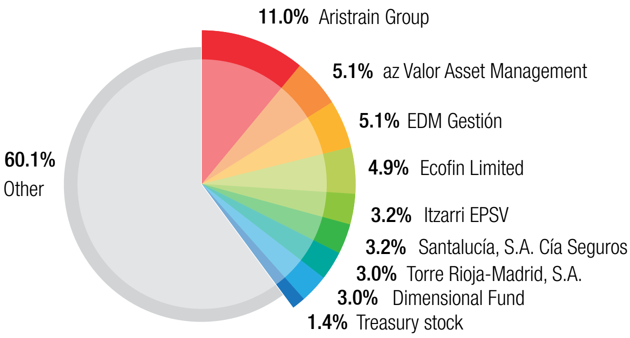
In the second quarter of the year, the TUBACEX share has maintained the positive performance shown in the first quarter. On June 30th, the TUBACEX share price stood at €2.77, with a market capitalization of €368.4 million, up 10.8% on the 2018 year-end.

Regarding share liquidity, the number of shares traded from January to June 2019 amounted to 17.5 million, with effective trading of €48.8 million.

Shareholding

2019.06.30

In the first half of the year, no changes occurred in the Group's shareholding. Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 30th June 2019 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)

6 Key financial figures

Consolidated balance sheet
€M

	2019.06.30	2018.12.31	% change
Intangible assets	77.8	51.9	49.8%
Tangible assets	285.2	267.7	6.5%
Financial assets	74.6	73.9	0.9%
Non-current assets	**437.6**	393.5	**11.2%**
Inventories	315.9	308.5	2.4%
Receivables	95.1	76.9	23.7%
Other account receivables	17.5	16.8	4.2%
Other current assets	9.2	4.7	98.0%
Derivative financial instruments	1.6	1.8	-12.7%
Cash and equivalents	199.8	190.1	5.1%
Current assets	**639.2**	598.7	**6.8%**
TOTAL ASSETS	**1,076.7**	**992.2**	**8.5%**
Equity, Group Share	281.7	274.4	2.7%
Minority interests	8.8	26.1	-66.2%
Equity	**290.5**	300.4	**-3.3%**
Interest-bearing debt	111.1	138.6	-19.8%
Derivative financial instruments	0.2	0.7	-74.0%
Provisions and other	67.2	34.7	93.3%
Non-current liabilities	**178.4**	174.0	**2.5%**
Interest-bearing debt	357.2	306.0	16.7%
Derivative financial instruments	2.1	1.6	31.8%
Trade and other payables	174.2	163.1	6.8%
Other current liabilities	74.3	47.1	57.7%
Current liabilities	**607.8**	517.8	**17.4%**
TOTAL EQUITY AND LIABILITIES	**1,076.7**	**992.2**	**8.5%**

Consolidated income statement

€M

	H1 2019	H1 2018	change %	Q2 2019	Q2 2018	change %
Sales	323.5	360.6	-10.3%	180.0	192.1	-6.3%
Change in inventories	6.2	(5.3)	n.m.	5.1	(8.9)	n.m.
Other income	4.2	3.3	28.0%	1.2	1.0	18.0%
Cost of materials	(160.6)	(187.1)	-14.1%	(90.8)	(96.6)	-6.0%
Personnel expenses	(74.3)	(69.1)	7.5%	(37.6)	(35.4)	6.0%
Other operating costs	(65.7)	(66.8)	-1.6%	(39.0)	(32.4)	20.4%
EBITDA	33.3	35.6	-6.4%	19.0	19.8	-4.0%
EBITDA Margin	10.3%	9.9%		10.6%	10.3%	
Amortization and depreciation	(20.0)	(19.3)	3.6%	(10.2)	(10.0)	1.7%
EBIT	13.3	16.3	-18.4%	8.8	9.8	-9.8%
EBIT Margin	4.1%	4.5%		4.9%	5.1%	
Financial Result	(5.4)	(7.0)	-23.1%	(2.4)	(3.7)	-37.0%
Exchange differences	0.2	(0.1)	n.m.	0.0	0.2	n.m.
Profit Before Taxes	8.2	9.2	-11.1%	6.5	6.3	3.0%
Profit Before Taxes Margin	2.5%	2.5%		3.6%	3.3%	
Income taxes	(0.4)	(1.7)	-75.0%	(1.1)	(1.2)	-4.8%
Consolidated Net Income	7.7	7.5	3.6%	5.4	5.1	4.8%
Minority interests	(2.7)	(0.8)	n.m.	(2.1)	(0.8)	n.m.
Net Income, Group Share	5.0	6.7	-25.3%	3.3	4.3	-25.1%
Net Margin	1.5%	1.9%		1.8%	2.3%	

n.m.: Not meaningful

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