Presentation of the results

3rd QUARTER OF

2018

TUBACEX GROUP

"TUBACEX positioning as supplier of high technological value tubular solutions enables us to show a very significant improvement in results and margins already in 2018."

Market dynamics during the third quarter of 2018 has remained quite similar to that of the previous quarter. Nevertheless, announcements of very significant increases in capital expenditure in the sector are now beginning to mount up, and despite the macroeconomic uncertainty, enable us to foresee a progressive revitalization of our activity. In this regard, short term prospects in the sector are very positive with a large number of projects in the award pipeline, which envisage a recovery for 2019 and project a strong expansion in the sector at least by 2020 and 2021.

TUBACEX positioning as supplier of high technological value tubular solutions enables us to show a very significant improvement in results and margins already in 2018. TUBACEX sales strategy focuses and translates into multi-annual large-scale projects involving local production and technological development in collaboration with first-class companies in destination countries. The proof of our success in this strategy is the recent Letter of Intent (LOI) signed with the Egyptian Government to develop nuclear power.

This positioning makes it possible to anticipate TUBACEX active role as a first-class player in the most relevant projects to be developed worldwide in the upstream, conventional electric power and nuclear generation sectors within the forthcoming years.

The expected recovery of the sector and our positioning as a supplier of Premium tubular solutions in the energy sector help us to face the future with optimism and bring us closer to meeting our strategic targets. Therefore, TUBACEX continues to reaffirm the goals set in our strategic plan.

Jesús Esmorís
CEO

1 Market environment

In spite of the general macroeconomic uncertainty background, the price of **raw materials** has generally maintained a growth trend during the year. This, along with the oil price evolution, is considered by the company a relevant factor anticipating an upward cycle in our reference markets. The average price of **nickel** stood at 13,275.0 USD/ton, i.e. up 31.2% on the average price in 2017.

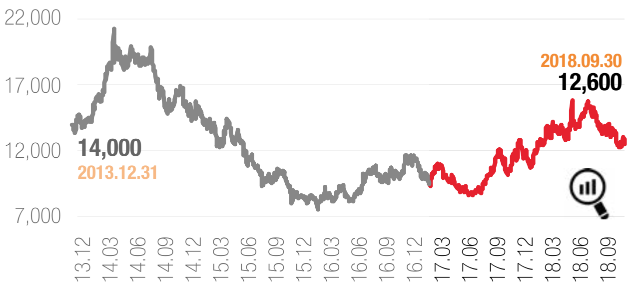
The other two alloys with significant weight in the Group's supplies for the manufacture of stainless steel are **molybdenum** and **chromium**.

The price of molybdenum closed September up 22.9% on the 2017 year-end; while the price of chromium experienced a drop (10.8%).

The positive trend in **oil** price has accelerated during the last quarter. The Brent barrel closed the third quarter at 82.73 USD, up 23.7% on the close of 2017 and in the last few weeks it seems to have consolidated around 80 USD.

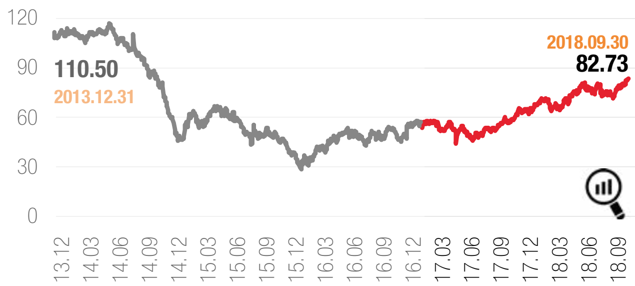
Evolution of the nickel price

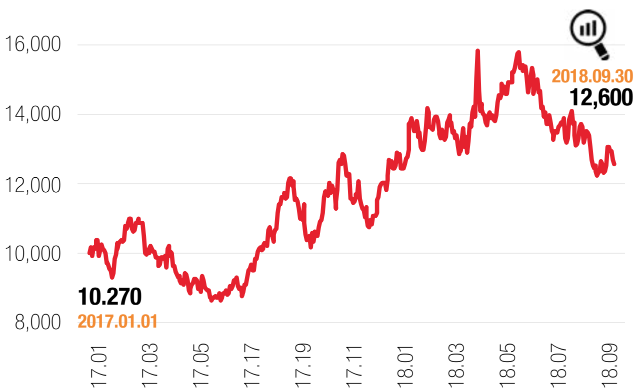
DEC 13 - SEP 18 ($/TON)



Evolution of the brent price

DEC 13 - SEP 18 ($/barrel)





2 Key financial figures

September 2018 figures ratify our strong growth in terms of results as well as margins, thanks to the growing exposure of the Group to high value-added markets and products, and to our strict continuous improvement and cost control policy. These two factors have been key to cope with a crisis which has resulted in a reinforced sales, industrial and financial structure for the company.

Sales from January to September amounted to €519.9 million, 40.3% over the sales registered during the same period in 2017. This is mainly due to a gradual market improvement and an increased weight of high technological value products in the total Group sales. EBITDA amounted to €55.3 million, 2.3 times over EBITDA achieved in September 2017 and with a margin of 10.6%, representing a significant improvement compared to 6.5%.

Financial figures
€M

	9M 2018	9M 2017	change %	Q3 2018	Q3 2017	change %
Sales	**519.9**	**370.5**	**40.3%**	**159.3**	**129.1**	**23.4%**
EBITDA	**55.3**	24.2	**128.5%**	**19.7**	6.6	**197.8%**
EBITDA margin	*10.6%*	*6.5%*		*12.4%*	*5.1%*	
EBIT	**28.4**	0.3	**n.m.**	**12.1**	(0.5)	**n.m.**
EBIT margin	*5.5%*	*0.1%*		*7.6%*	*neg.*	
Profit before taxes	**17.0**	(4.8)	**n.m.**	**7.8**	(2.8)	**n.m.**
Margin	*3.3%*	*neg.*		*4.9%*	*neg.*	
Net Profit	**12.4**	1.1	**n.m.**	**5.7**	(0.8)	**n.m.**
Net margen	*2.4%*	*0.3%*		*3.6%*	*neg.*	

n.m.: Not meaningful
neg.: Negative

	2018.09.30	2017.12.31
Working Capital	**231.0**	193.0
Working Capital / Sales	**36.1%**	39.4%
Equity	**293.7**	281.8
Equity / Net Financial Debt	**113.7%**	111.2%
Net Financial Debt	**258.3**	253.5
NFD/ EBITDA	*4.5x*	*9.8x*

The working capital closed the third quarter of the year at €231.0 million, representing a rise of €38.0 million when compared to the 2017 close, and 36.1% on turnover. It is worth highlighting that the net operating working capital increase is chiefly linked with the product in progress related to the manufacture of multi-annual projects of integrated tubular solutions, mainly OCTG and Umbilicals.

The net financial debt amounts to €258.3 million, which represents an increase of €4.7 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 almost already sold and to a net positive realization value in line with the operating margin shown in these results. In fact, our working capital represents 89.4% of the debt.

It should also be stressed the Group's financial structure with a high cash position in excess of €100 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 4.5x, compared to 9.8x registered at the close of 2017. The Group expects to maintain this gradual improvement trend and reach a level close to 3x at the year's end.

By the end of the financial year, TUBACEX expects a very significant improvement of results in relation to 2017 and maintain the EBITDA margin in double figures.

Quarterly evolution

The third quarter of 2018 continues to show strong results and a major improvement of margins. The seasonal nature of the quarter has been reduced this year due to a need to accelerate deliveries of Premium products in key projects. Therefore, some of this seasonality has been transferred to the last quarter, with maintenance shut-downs taking place at the end of the year in production facilities which did not have them in the summer.

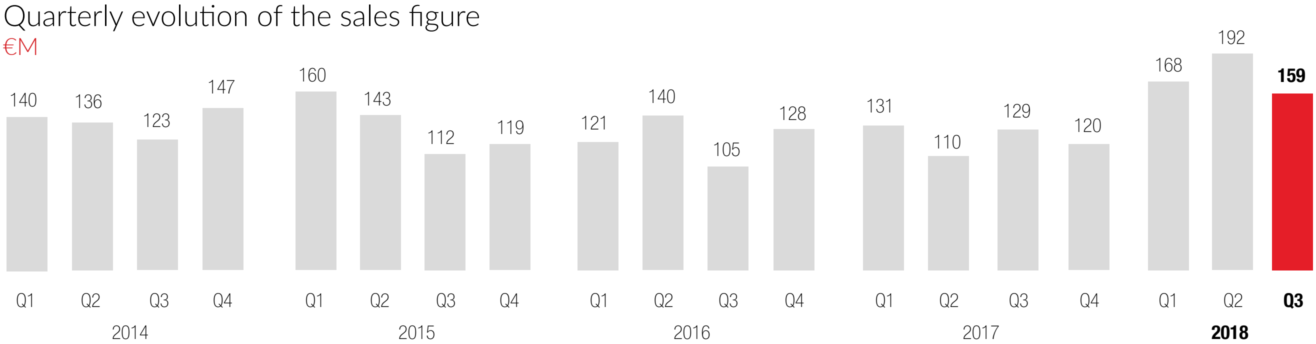
The sales figure for the quarter stood at €159.3 million, up 23.4% on sales for the third quarter of 2017, as a result of the increased volume and favorable invoiced mix.

The EBITDA reached €19.7 million, a figure which trebles the EBITDA registered in the third quarter of 2017.

The weight increase of high technological value products combined with continuous improvement and efficiency plans have also contributed to improve the EBITDA margin up to 12.4%.

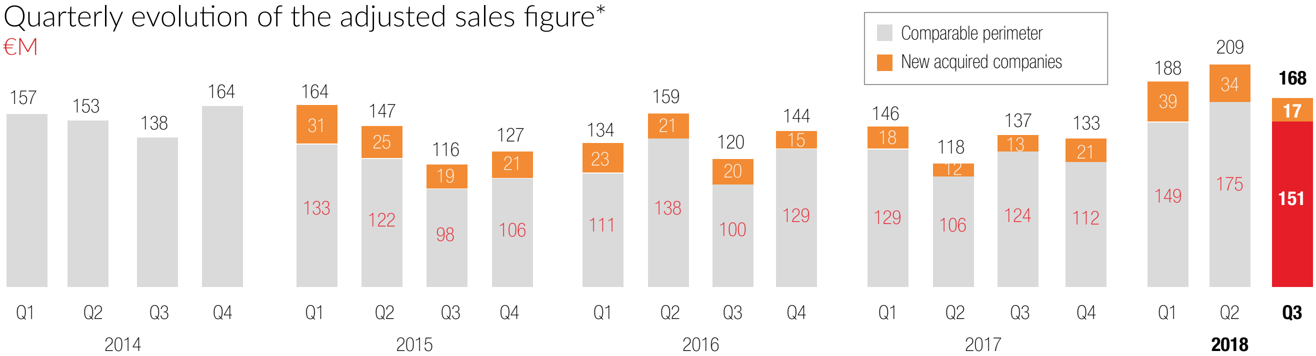
Quarterly evolution of the sales figure

€M



Quarterly evolution of the adjusted sales figure*

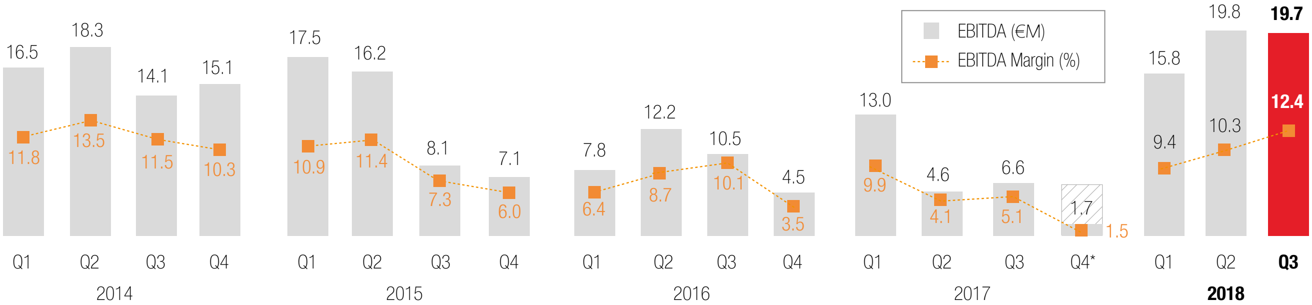
€M



** 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.*

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, 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 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 invoicing between January and September. 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. This significant percentage is mainly the result of high production volumes in OCTG and tubes for Umbilicals. The macroeconomic uncertainty and rise in protectionist measures applied in some countries have slowed down final decision making in the Upstream segment in recent months. Nevertheless, the current price of oil and gas added to a growth in worldwide consumption are leading to an outstandingly high project award pipeline for the forthcoming years, to offset the well decline rates and the drop in investments during the recent crisis.

Regarding OCTG, as the lift of sanctions on Iran was not ratified by the USA, a major order from Iran has now been discontinued. This process has been managed in an orderly way with a gradual production reduction since September to prevent intermediate stocks from November 4th and with no outstanding bills, contingencies or any penalty which may be derived from the supply cancellation.

It is important to highlight the good prospects for this product in the Gas extraction segment. In this field, TUBACEX has received OCTG orders from Russia and Bahrain in recent weeks and will be supplying its first order to the Indian company ONGC. In addition, very relevant projects in size and technical complexity are currently under negotiation in the Middle East.

In the Subsea, Umbilicals, Risers and Flowlines (SURF) segment, it is worth highlighting the good performance of tubes for Umbilicals with a major order backlog for this year in the North Sea, the Middle East and Mozambique, as well as good project award prospects in the medium term.

It is worth mentioning that this product success is not exclusively limited to the Austrian plant (SBER). The Spanish plant TTI has started producing the central tube and is also present in some of the most relevant projects in the North Sea. However, all products related to the Subsea area are at extremely low demand levels, although the sector prospects indicate a change in this trend.

The fossil fuel **electric power generation** industry continues to undergo a standardization process after the 2017 regulatory adjustment with China in leading position, where the Group is finalizing the details of an agreement to be signed for two coal-fired power stations, and with good prospects for the rest of the year. India is showing signs of progress regarding tendering of new projects as part of a strategy of intensive investment in nuclear and fossil fuel electric power plants to cover the domestic energy demand expected. TUBACEX is currently manufacturing a Premium grade pipe with Shot-Peening treatment for three state-of-the-art design units. And thanks to this process and to the new grades developed it is uniquely positioned to join in and promote the growing trend worldwide towards sustainability in the energy sector by reducing CO_2 emissions.

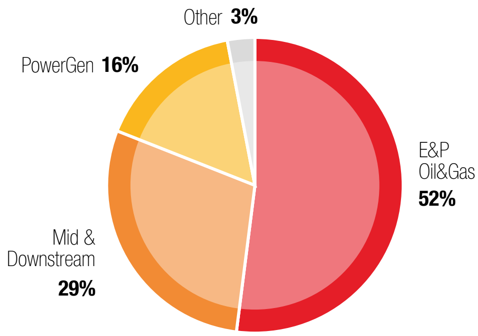
Regarding nuclear power, TUBACEX is supplying pipes for the Hinkley Point UK project designed by Areva and has just signed a Letter of Intent in Egypt for the supply of products and services for the four nuclear units of El Dabaa nuclear project. This initiative is aligned with the Group strategy oriented to signing framework agreements in strategic collaboration with first-class companies in destination countries.

The **Mid and Downstream** sector is showing partial recovery in terms of new project awards. Energy transition largely promoted by the use of natural gas is generating new opportunities in the form of LNG mega-projects, particularly in the US but also worldwide. Regarding the Refining segment, CAPEX announcements are offering an optimistic outlook but partially impacted by the overall macroeconomic uncertainty situation.

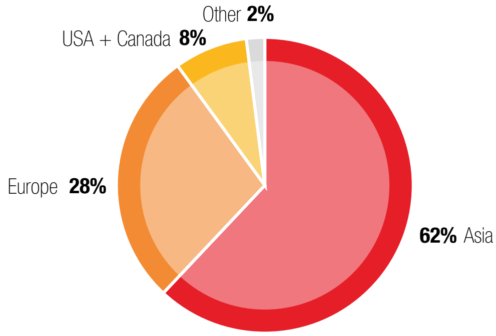
Breakdown of direct sales to engineering firms and end-users

9M 2018

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia remains the Group's main market with 62% 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

Exhibitions

Q3 2018

TUBACEX participated in the main fairs of the sector held in Q3. The Offshore Northern Seas Exhibition & Conference held in Stavanger (Norway) at the end of August, was attended by over 68,000 visitors. This fair held every two years is an ideal platform for the presentation of political, economic and technological issues affecting the Oil & Gas sector, as well as showcasing the latest industry innovations.

From September 17th to 20th, TUBACEX representatives attended Gastech, the major fair in the LNG sector. After the event, Wood Mackenzie highlighted a rise in Europe's gas import dependency as well as an increased number of projects in the USA.

Energy advanced engineering

October 2018

TUBACEX, and three Basque companies in the energy sector have signed the constitution of the "Energy Advanced Engineering" Foundation, which will foster the value chain of the Oil and Gas sector, encouraging business development. The Foundation will be based at the Energy Intelligence Center (EIC), which is under construction at Abanto-Zierbena (Bizkaia), and is co-sponsored by the Basque Government and the Provincial Council of Bizkaia.

In this context, the full-scale equipment, the advanced simulation capacities and the laboratory equipped with state-of-the-art technology to conduct experimental trials and testing of EIC materials, will enable Energy Advanced Engineering to increase business knowhow and improve its competitive position.

The EIC will be operational at the end of 2020 in the future Abanto-Zierbena Technology Park on a surface area of 7,000 square meters. It will contribute to the competitiveness of the sector, fostering the development of co-operation projects, taking advantage of knowledge synergies between a network of allies and the use of state-of-the-art technology.

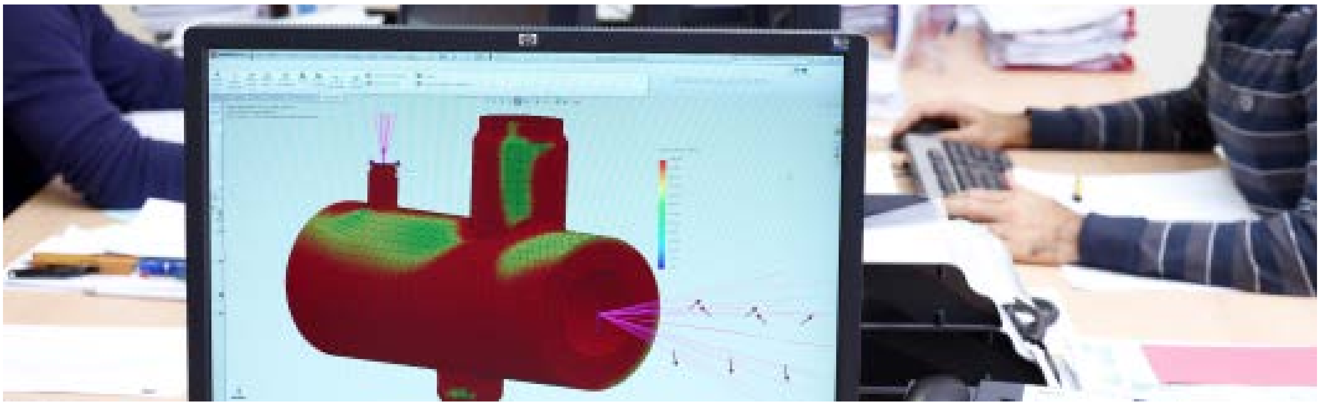
Letter of intent to develop nuclear power in Egypt

October 2018

TUBACEX and the Egyptian Government have signed a Letter of Intent (LOI) with the aim of subscribing a framework agreement to develop the business plan of what will be the country's first nuclear power plant in El Dabaa.

The agreement was signed in a consortium with the Russian company Tubes 2000, specialized in the production and supply of nuclear energy equipment, and if executed, it could translate into €100 million in annual turnover from 2020.

This agreement represents TUBACEX's strategy in terms of diversification and commitment to growing markets and sectors of demand that enable the Group to reduce its Oil & Gas dependency.



5 TUBACEX on the stock market

Share evolution
JAN 18 - SEP 18

In Q3-18, TUBACEX shares achieved a very positive performance, with an upward revaluation of 11.8%. However, in annual terms shares are still maintaining a negative evolution in relation to 2017 closure.

At closing on September, TUBACEX share price was at €3.18, representing a market capitalization of €422.9 million, 5.1% below that of €445.5 million in 2017.

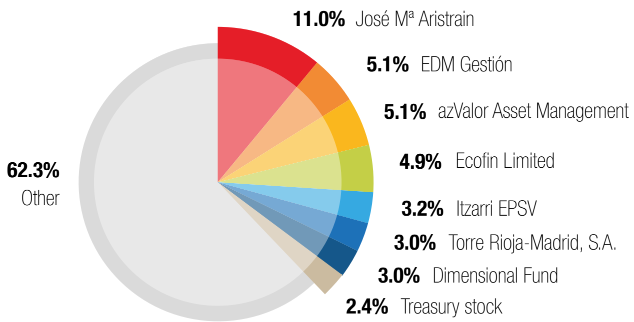
Regarding share liquidity, the number of shares traded from January to September 2018 amounted to €64.9 million, with effective trading of €208.7 million.

Shareholding
2018.09.30

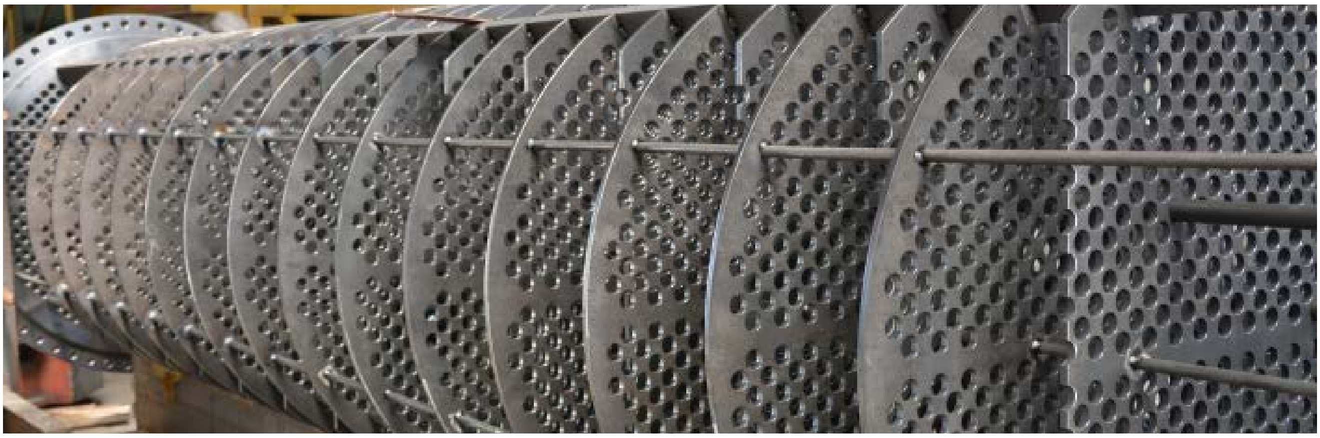
In the third quarter of the year, there were two changes in the structure of the Group's significant shareholders. The first one, as reported in the previous result publication, took place in July when azValor increased its stake from 3.0% to 5.1%. The second change was on September 24th when the Dimensional Fund Advisors LP fund reported a significant stake of 3.0% to the Spanish Securities Exchange Commission (CNMV).

The two changes are added to the increased stake of EDM from 3.1% to 5.1% during the first quarter of the year.

Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 30th September 2018 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)



6 Key financial figures

Consolidated balance sheet
€M

	2018.09.30	2017.12.31	change %
Intangible assets	49.3	51.9	-4.9%
Tangible assets	264.2	272.4	-3.0%
Financial assets	73.0	77.5	-5.8%
Non-current assets	**386.5**	**401.8**	**-3.8%**
Inventories	325.7	248.6	31.0%
Receivables	69.0	75.5	-8.6%
Other account receivables	25.2	18.9	33.7%
Other current assets	7.9	6.2	27.6%
Derivative financial instruments	0.2	0.3	-20.8%
Cash and equivalents	110.3	154.9	-28.8%
Current assets	**538.3**	**504.3**	**6.7%**
TOTAL ASSETS	**924.8**	**906.2**	**2.1%**

Equity, Group Share	266.7	257.2	3.7%
Minority interests	27.0	24.6	9.7%
Equity	**293.7**	**281.8**	**4.2%**
Interest-bearing debt	107.3	79.7	34.6%
Derivative financial instruments	0.4	1.9	-78.2%
Provisions and other	37.2	38.0	-2.1%
Non-current liabilities	**144.9**	**119.7**	**21.1%**
Interest-bearing debt	261.2	328.7	-20.5%
Derivative financial instruments	6.9	5.1	36.3%
Trade and other payables	163.7	131.0	24.9%
Other current liabilities	54.4	39.8	36.5%
Current liabilities	**486.3**	**504.7**	**-3.7%**
TOTAL EQUITY AND LIABILITIES	**924.8**	**906.2**	**2.1%**

Consolidated income statement

€M

	9M 2018	9M 2017	change %	Q3 2018	Q3 2017	change %
Sales	519.9	370.5	40.3%	159.3	129.1	23.4%
Change in inventories	(9.4)	16.6	n.m.	(4.1)	(13.2)	n.m.
Other income	6.6	6.4	3.8%	3.3	2.2	52.5%
Cost of materials	(265.8)	(200.9)	32.3%	(78.7)	(61.9)	27.1%
Personnel expenses	(98.1)	(89.3)	9.8%	(28.9)	(25.4)	13.9%
Other operating costs	(97.9)	(79.0)	23.9%	(31.1)	(24.1)	28.9%
EBITDA	55.3	24.2	128.5%	19.7	6.6	197.8%
EBITDA Margin	10.6%	6.5%		12.4%	5.1%	
Amortiz. and impairment of fixed assets	(26.9)	(23.9)	12.6%	(7.6)	(7.2)	6.6%
EBIT	28.4	0.3	n.m.	12.1	(0.5)	n.m.
EBIT Margin	5.5%	0.1%		7.6%	neg.	
Financial Result	(10.9)*	(5.0)	116.9%	(3.9)	(2.1)	90.1%
Exchange differences	(0.4)	(0.0)	n.m.	(0.3)	(0.1)	151.2%
Profit Before Taxes	17.0	(4.8)	n.m.	7.8	(2.8)	n.m.
Profit Before Taxes Margin	3.3%	neg.		4.9%	neg.	
Income taxes	(3.6)	3.6	n.m.	(1.9)	1.1	n.m.
Consolidated Net Income	13.4	(1.2)	n.m.	5.9	(1.7)	n.m.
Minority interests	(0.9)	2.3	n.m.	(0.2)	0.9	n.m.
Net Income, Group Share	12.4	1.1	n.m.	5.7	(0.8)	n.m.
Net Margin	2.4%	0.3%		3.6%	neg.	

n.m.: Not meaningful
neg. Negative

* The financial result as of September 2018 includes €2.7M related to corresponding to guarantee execution and bank structuring of multi-annual Premium product projects

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