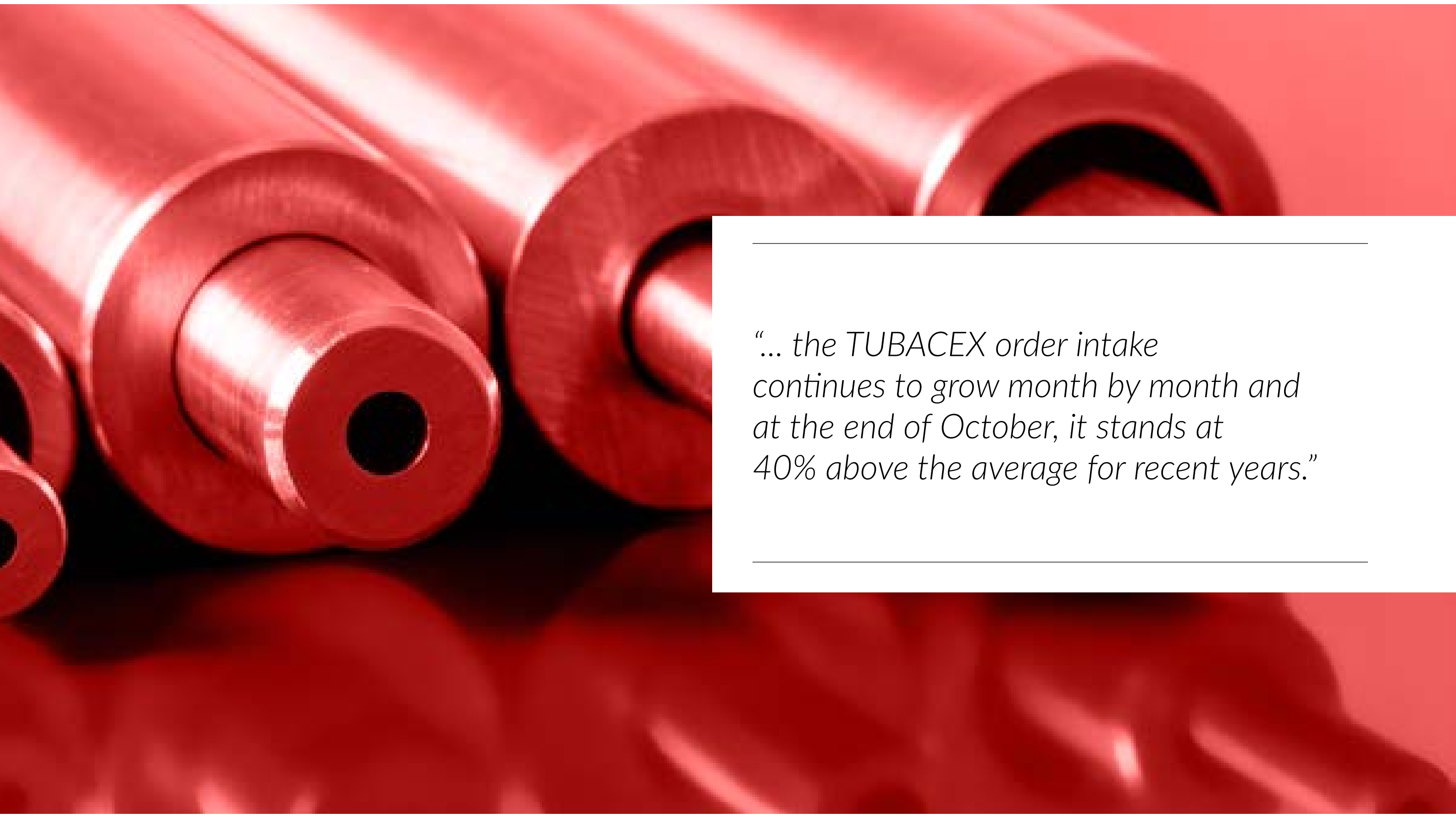
Earnings Release

3rd QUARTER
2019

TUBACEX GROUP



"... the TUBACEX order intake continues to grow month by month and at the end of October, it stands at 40% above the average for recent years."

Recovery in the energy markets continues to progress gradually. In spite of the fact that macroeconomic tensions and uncertainty are affecting all sectors, putting off important investment decisions, the need to offset the lack of investment in the last four years means that the sector is recovering slowly but surely.

As we have been announcing throughout the year, the TUBACEX order intake continues to grow month by month and at the end of October, it stands at 40% above the average for recent years. 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 non-sustainability of such a prolonged period without capital expenditure enable an upward investment cycle in the forthcoming years to be foreseen.

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 backlog in umbilical offshore tubes, with practically the entire capacity for 2020 sold. Turbulence at a macro level have led to a slight delay in the final stages of important extraction projects.

However, we are currently in the final award and signing phases of several framework agreements for OCTG, which will fill our manufacturing capacity over the forthcoming years, the signing of which we expect to be able to announce in the short term. 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, particularly in India.

Looking towards the final quarter of the year, we expect activity levels to remain in line with those for the rest of the year. The final negotiation phases involving several orders enables us to predict a high intake level over the forthcoming months, giving us a record backlog, with multi-year projects diversified by sector, whose impact on results will be seen in 2020 and 2021 and will lead us to fulfill the objectives set out in our strategic plan.

Jesús Esmorís
CEO

1 Market Environment

In spite of the increase in market instability during the summer, the first nine months of 2019 have been defined by a general upward trend in **raw material** prices.

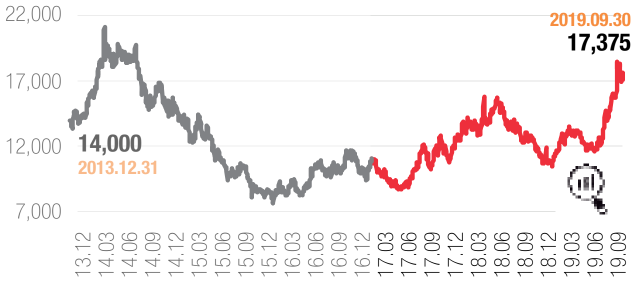
The price of **nickel** closed the month of September at $17,375 per ton, which represents an accumulated revaluation of 62.0% in the year.

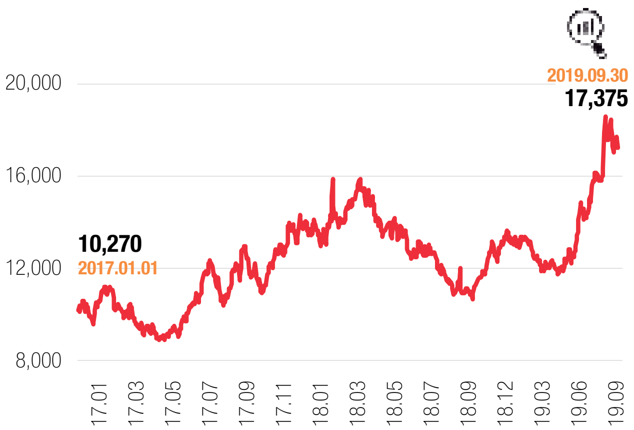
The other two alloys with significant weight in the Group's supplies for the manufacture of stainless steel are **molybdenum** and **chromium**. The price of molybdenum has dropped 7% in relation to 2018 year-end, while the price of chromium has fallen by 9%.

The price of **oil** is maintaining a positive evolution during the year despite a slight setback in the third quarter. The Brent barrel closed September at $59.25, up 10.1% 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

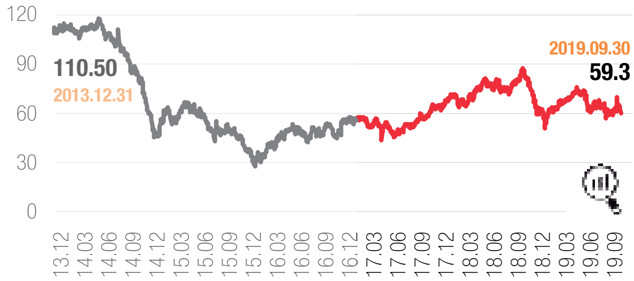
DEC 13 - SEP 19 ($/TON)





Evolution of the brent price

DEC 13 - SEP 19 ($/barrel)



2 Key financial figures

Sales between January and September amounted to €476.3 million, down 8.4% on sales for the same period in 2018, mainly as a result of lower volumes of OCTG tubes. Excluding this product, the Group's invoicing figure has increased by c.40%. It is worth remembering that comparative analysis with last year is limited as 2018 results were very positively influenced by a significant OCTG order that was delivered until October.

In 2019, we are witnessing a general market recovery which is allowing results to be generated in a more balanced way inside the Group. In turn, this has also enabled operating leverage ratios to be maintained for all business units and therefore, consolidated margins approaching double figures. Thus, the EBITDA closed September at €46.2 million which represents the highest accumulated EBITDA over 9 months since 2014, excluding the extraordinary effect last year, and a margin of 9.7%.

Financial figures
€M

	9M 2019	9M 2018	% change	3Q 2019	3Q 2018	% change
Sales	476.3	519.9	-8.4%	152.8	159.3	-4.1%
EBITDA	46.2	55.3	-16.4%	13.0	19.7	-34.3%
EBITDA margin	*9.7%*	*10.6%*		*8.5%*	*12.4%*	
EBIT	17.8	28.4	-37.2%	4.5	12.1	-62.5%
EBIT margin	*3.7%*	*5.5%*		*3.0%*	*7.6%*	
Profit before taxes	9.7	17.0	-43.0%	1.5	7.8	-80.5%
Margin	*2.0%*	*3.3%*		*1.0%*	*4.9%*	
Net Profit	7.2	12.4	-41.7%	2.2	5.7	-61.0%
Net margen	*1.5%*	*2.4%*		*1.5%*	*3.6%*	

	2019.09.30	2018.12.31
Equity	286.5	274.4
Equity / Net Financial Debt	104.5%	107.8%
Working Capital	219.1	222.2
Working Capital / Sales	34.6%	32.8%
Structural Net Financial Debt (1)	55.0	32.2
Total Net Financial Debt	274.1	254.5
NFD/ EBITDA	*4.5x*	*3.7x*

(1) Total Net Financial Debt - Working Capital

The working capital amounted to €219.1 million in September, €3.1 million under the close at 2018 and with a percentage over sales of 34.6%, meeting the strategic goal of maintaining this target under 35%.

The net financial debt amounts to €274.1 million, reaching 4.5x EBITDA. According to TUBACEX business model, where products are made to order, the financial debt is closely related to the working capital, which is mostly sold at a net positive realization value. The working capital represents 80% of the debt, so the company's structural financial debt without including the working capital stands at €55.0 million.

The Group debt increase during 2019 is mainly based on extra investments made. In addition to the acquisition of the minority stake which did not hold in IBF and the takeover of NOBU NTS Group, that have meant a combined cash out close to €30 million, Tubacex Group is building a new plant in Durant (Oklahoma, USA) which is expected to be commissioned before the year-end. These three operations together with normal investments from the Group have resulted in an exceptional increase in the total CAPEX from January to September exceeding €50 million.

In this respect and as it has become customary regarding the Group's financial strategy, its solid financial structure should once again be emphasized, with a high cash flow in excess of €150 million which will enable it to face debt maturities in the next 4-5 years. The Group expects the debt ratio to stand below 4x by the year-end, in order to fulfill the 3x strategic target in 2020.

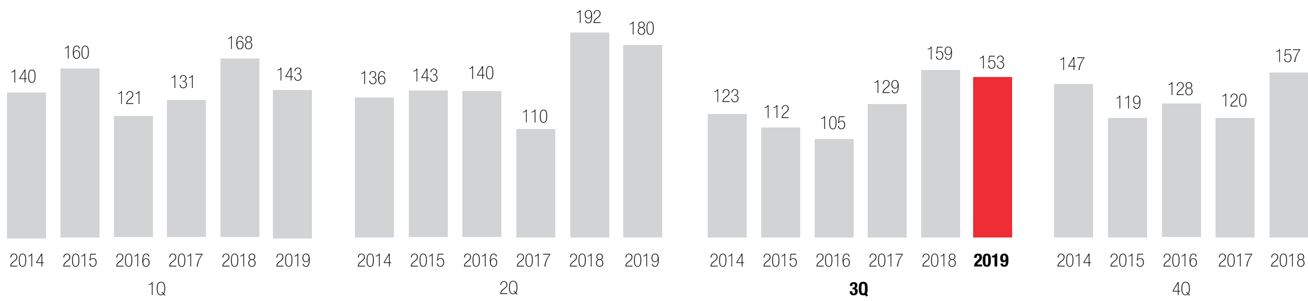
Regarding the outlook for the future, TUBACEX expects the activity levels shown during the year to be maintained and a gradual market improvement in the fourth quarter of the year. This improvement, along with the award of important orders that is expected in the short term, would lead to a year-end with a record intake figure and much visibility for the forthcoming years.

Quarterly evolution

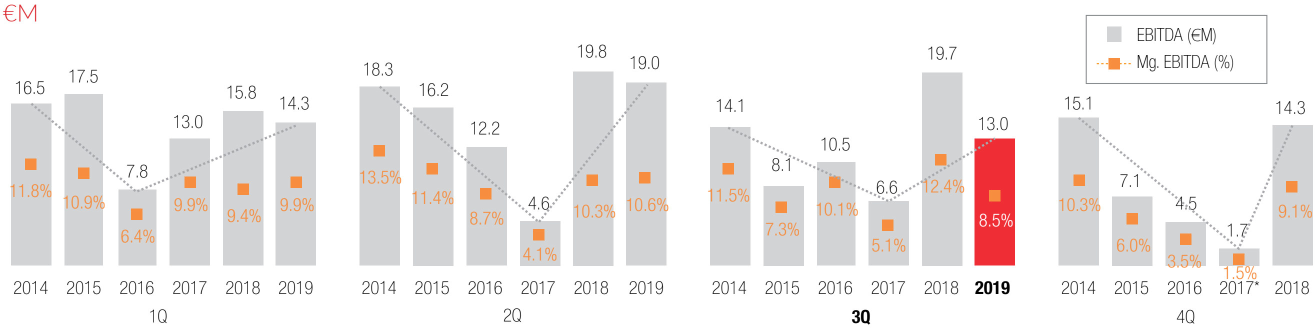
It is worth remembering that the third quarter results, as a consequence of the summer holiday, always have a very important seasonal component for TUBACEX. As a result of the accelerated delivery of the previously mentioned large OCTG order, the seasonal component failed to have an impact last year. Therefore, a YOY comparison between the third quarter 2019 and 2018 is very limited.

In the third quarter 2019 sales rose to €152.8 million, with an EBITDA of €13.0 million and a margin of 8.5%. The sales reduction as well as the margin cut are the direct result of smaller amounts manufactured given the normal season component of the quarter and a worse product mix. Despite this situation, and excluding 2018 due the reasons described above, the EBITDA hit the highest figure since 2014 in the third quarter 2019, proving the overall steady market recovery.

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. Once the design phases of large projects are completed, the purchase phase is about to start with the launching of different public tenders for award in the short term. At this point tensions are expected to emerge due to the lack of sufficient supply to cover occasional demand peaks in 2020. This is even more obvious in relation to gas production driven by reduction targets for polluting and CO2 emissions.

In the **SURF (Subsea, Umbilicals, Risers and Flowlines)** segment, sales of umbilical tubes are continuing the positive trend shown throughout the year and TUBACEX current portfolio in this product is currently reaching record figures. In this quarter, TUBACEX has gained the contract for the second phase of Johan Sverdrup/EQUINOR. After successfully supplying the first phase, the Group has become the number one option for this phase. Regarding the other Subsea products, TUBACEX directly participates with the engineering firms in charge of the design and manufacture of Subsea equipment. Likewise, the positive trend seen in the umbilicals sector allows us to predict greater participation in this type of projects.

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.

TUBACEX continues to maintain a significant presence in the conventional power generation market at international level. In the fourth quarter the Group will complete the delivery of several state-of-the-art 660MW and 1000MW units in Europe and China. Furthermore, the forthcoming months will bring high demand in high power equipment bids in the Asian market.

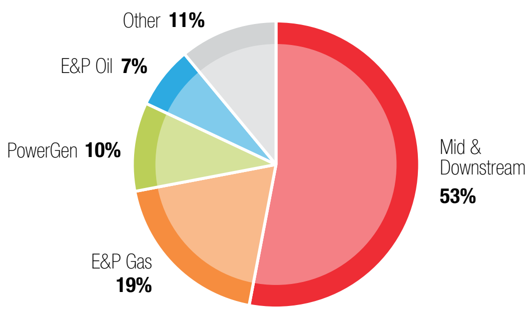
The large manufacturers of high-pressure equipment sector are undergoing a boom in orders from Biomass and Incineration plants which complement its thermal power plant business. TUBACEX has already identified a rise in orders in this field of activity which demands grades with high corrosion resistance and where the Group enjoys a stable position after recently reinforcing its value proposal through its ceramic coating business unit, TUBACOAT.

In the nuclear power industry, the Group is delivering projects for EDF as well as the international consortium ITER. In addition, the Group makes its way to becoming a provider of comprehensive solutions in the supply chain of high-pressure piping systems for different nuclear power operators.

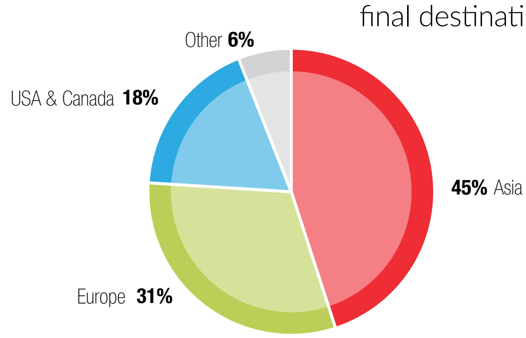
The **Mid and Downstream** sector has also shown great dynamism during the last nine months. After an excellent first semester in terms of order intake, the third quarter marked by financial uncertainty has led of an extensive slowdown in projects launched by general contractors. However, this deceleration was compensated by the award of strategic projects in China and mainly in the furnace sector. The prospects for the end of 2019 continue to be positive with a significant number of high added value opportunities in the Midstream segments as well as overall in Processing (refineries and petrochemical industry) in all regions.

Breakdown of direct sales to engineering firms and end-users
9M 2019

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia remains the Group's main market with 45% 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

TUBACEX UMBILICALS IN TORTUE AND GREATER ENFIELD PROJECTS

3Q 2019

Thanks to its position in the umbilical tube segment, TUBACEX is able to participate in the most important projects in the sector. The Group supplied two different types of umbilicals (power umbilical and control umbilical) for the Greater Enfield project operated by Woodside in Western Australia, which was commissioned in August 2019. Furthermore, in the third quarter the company gained the contract for the Greater Tortue Ahmeyim project to be operated by BP, between the borders of Mauritania and Senegal.

SHARE BUYBACK PROGRAM AND LIQUIDITY AGREEMENT

August 2019

In August TUBACEX ended the buyback program for 270,000 shares which started in June with the aim of fulfilling the commitments adopted in the employee incentives plan approved by the Shareholders' General Meeting and the Board of Directors. One the repurchase program ended, the Company subscribed a Liquidity Agreement with JB Capital Markets to favor liquidity and the regularity of trading in its shares.

CONFERENCES

September 2019

During the third quarter of the year, TUBACEX attended the most important international fairs and conferences in its sector. Among them, CORCON, the main Corrosion conference in Asia held in Bombay between 23 and 26 September and IRPC (International Refining and Petrochemical Conference) which took place in Houston in 25 and 26 September are worth a mention.

5 TUBACEX on the stock market

Share evolution

JAN 19 - SEP 19

Following the overall poor market evolution in the final months of 2018, 2019 kicked off by reversing this trend. Nevertheless, market turbulences in August also impacted Tubacex shares causing a loss of part of its accumulated revaluation during the first six months of the year, although it still remains positive.

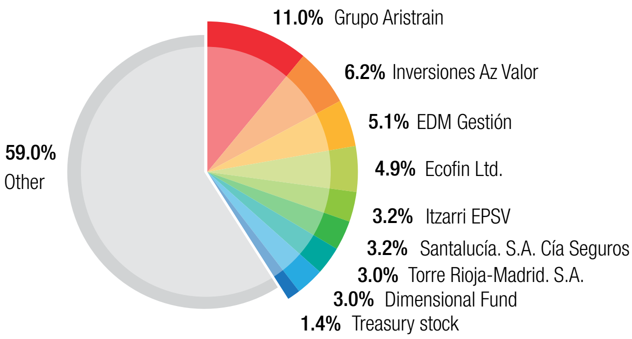
On September 30th, the share price stood at €2.605, with a market capitalization of €346.4 million, up 4.2% on the 2018 year-end.

Regarding share liquidity, the number of shares traded from January to September 2019 amounted to €23.8 million, with effective trading of €66.2 million.

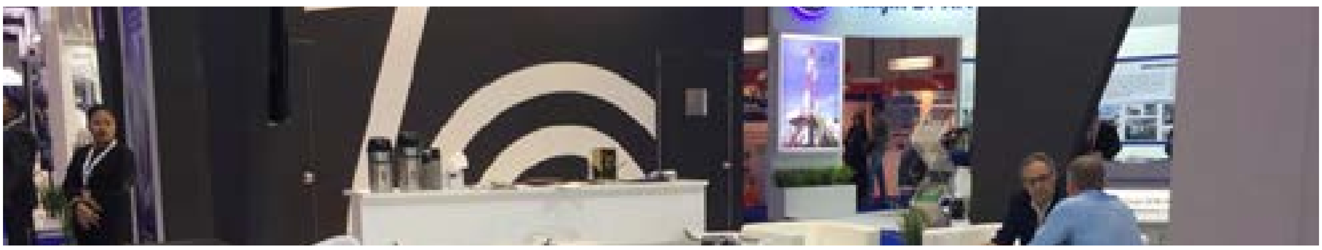
Shareholding

2019.09.30

During the first nine months of the year there was no significant change in the Group shareholder structure. The only change reported to the CNMV in July 2019 was the increased shareholding acquired by Inversiones AzValor of up to 6.2%. Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 30th September 2019 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)



6 Key financial figures

Consolidated balance sheet

€M

	2019.09.30	2018.12.31	change %
Intangible assets	78.7	51.9	51.6%
Tangible assets	294.6	267.7	10.1%
Financial assets	73.7	73.9	-0.3%
Non-current assets	**447.0**	**393.5**	**13.6%**
Inventories	320.6	308.5	3.9%
Receivables	87.9	76.9	14.4%
Other account receivables	18.7	16.8	11.2%
Other current assets	9.9	4.7	111.4%
Derivative financial instruments	1.4	1.8	-26.8%
Cash and equivalents	153.2	190.1	-19.4%
Current assets	**591.5**	**598.7**	**-1.2%**
TOTAL ASSETS	**1,038.5**	**992.2**	**4.7%**
Equity, Group Share	286.5	274.4	4.4%
Minority interests	8.7	26.1	-66.5%
Equity	**295.3**	**300.4**	**-1.7%**
Interest-bearing debt	110.1	138.6	-20.6%
Derivative financial instruments	0.4	0.7	-41.4%
Provisions and other	65.4	34.7	88.3%
Non-current liabilities	**175.9**	**174.0**	**1.1%**
Interest-bearing debt	317.2	306.0	3.7%
Derivative financial instruments	3.4	1.6	111.8%
Trade and other payables	189.4	163.1	16.1%
Other current liabilities	57.4	47.1	21.9%
Current liabilities	**567.3**	**517.8**	**9.6%**
TOTAL EQUITY AND LIABILITIES	**1,038.5**	**992.2**	**4.7%**

Consolidated income statement
€M

	9M 2019	9M 2018	change %	Q3 2019	Q3 2018	change %
Sales	476.3	519.9	-8.4%	152.8	159.3	-4.1%
Change in inventories	2.3	(9.4)	n.m.	(3.9)	(4.1)	-5.4%
Other income	8.1	6.6	22.0%	3.8	3.3	15.9%
Cost of materials	(238.4)	(265.8)	-10.3%	(77.7)	(78.7)	-1.3%
Personnel expenses	(107.9)	(98.1)	10.0%	(33.5)	(28.9)	15.9%
Other operating costs	(94.3)	(97.9)	-3.7%	(28.5)	(31.1)	-8.2%
EBITDA	46.2	55.3	-16.4%	13.0	19.7	-34.3%
EBITDA Margin	9.7%	10.6%		8.5%	12.4%	
Amortization and Depreciation	(28.4)	(26.9)	5.6%	(8.4)	(7.6)	10.4%
EBIT	17.8	28.4	-37.2%	4.5	12.1	-62.5%
EBIT Margin	3.7%	5.5%		3.0%	7.6%	
Financial Result	(8.4)	(10.9)	-23.0%	(3.1)	(3.9)	-22.7%
Exchange differences	0.3	(0.4)	n.m.	0.1	(0.3)	n.m.
Profit Before Taxes	9.7	17.0	-43.0%	1.5	7.8	-80.5%
Profit Before Taxes Margin	2.0%	3.3%		1.0%	4.9%	
Income taxes	0.2	(3.6)	n.m.	0.6	(1.9)	n.m.
Consolidated Net Income	9.9	13.4	-26.2%	2.1	5.9	-64.0%
Minority interests	(2.6)	(0.9)	n.m.	0.1	(0.2)	n.m.
Net Income, Group Share	7.2	12.4	-41.7%	2.2	5.7	-61.0%
Net Margin	1.5%	2.4%		1.5%	3.6%	

n.m.: Not meaningful

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