Earnings release report

1st QUARTER
2020

> *"Our orientation towards premium solutions, our exceptional positioning in key products and our R&D focus give us a competitive advantage in terms of achieving important framework agreements that will be the base for our future growth."*

2020 has taken us by surprise with a dramatic and absolutely unpredictable situation. The global pandemic caused by COVID-19 and its consequences, in both health and economic terms, hinders any kind of projection or outlook that we had for this year.

Until the outbreak of this virus and in recent years, TUBACEX has been gradually strengthening its positioning in the market. Even in the midst of the 2015-2019 oil crisis, the Group was committed to organic and inorganic growth. Proof of this is the expansion of our perimeter, which incorporated 9 production units during that period, with potential revenue of around €300M. Thanks to these investments, we have increased our range of highly technological products and services and positioned ourselves as providers of comprehensive solutions for the end user. With this new perimeter and the efforts made from the industrial and commercial areas, TUBACEX was well on track to fulfill its strategic objectives.

The current worldwide crisis has shaken up our plans for this year, forcing us to focus on managing an exceptionally complicated situation which affects not only our Company, but also society as a whole.

In such circumstances, one of TUBACEX's priorities is to guarantee the safety of Group employees, adopting all of the necessary measures to preserve their health, such as, for example, the introduction of stringent, new protection protocols, ensuring that the necessary social distancing is maintained and fostering working from home.

Similarly, as a committed member of the society it belongs to, the Group has also got involved in doing its bit, making the most of its international structure to acquire and distribute more than 10,000 protective screens, 500,000 masks and other types of personal protection equipment to different groups, such as health care workers and old people's homes.

From the point of view of economic management, we have taken drastic, and in some cases, painful measures to adapt to the new situation: reduction in salaries, adjustment of fixed costs, halting of non-strategic investments, analysis of temporary employment adjustments, etc.

It is still too early to quantify the impact of this epidemic on our results as the determining factors will be its duration and recovery rate. But one thing is certain. We have an ambitious project for the future, based on our hard work and efforts made in recent years. Our orientation towards premium solutions, our exceptional positioning in key products and our R&D focus give us a competitive advantage in terms of achieving important framework agreements that will be the base for our future growth.

Most importantly, we have a motivated and committed team with experience in managing critical situations, as proved in the last crisis. We are absolutely certain that we will come out of this stronger.

Jesús Esmorís
CEO

1 Market environment

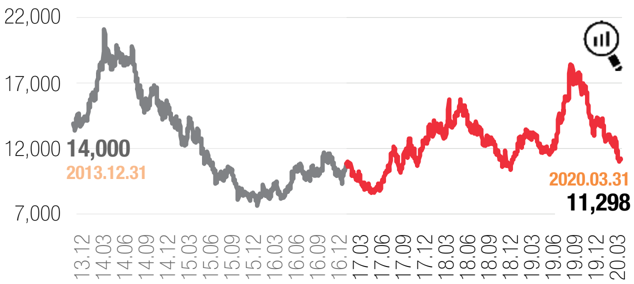
During the first quarter of 2020, we have witnessed an exceptional global situation. The fight to contain the spread of the COVID-19 epidemic has brought the worldwide economy to an unprecedented standstill. This shutdown will affect the expected GDP growth rates of all countries, leading to a worldwide recession. However, the great uncertainty continues to be the magnitude of the slowdown, which will depend on when the pandemic can be considered to be under control and the recovery rate back to normal.

Given this situation, all of the financial markets have experienced harsh adjustments over the quarter and the prices of raw materials have not escaped these variations.

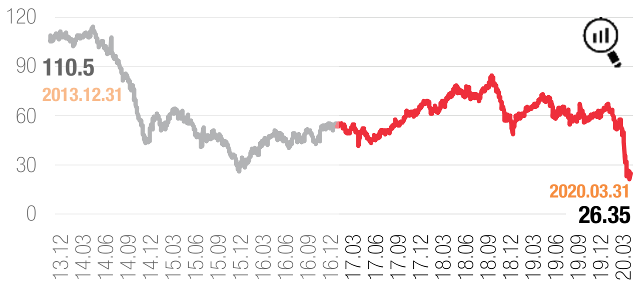
The price of **nickel** closed the first quarter of 2020 at $11,298 per ton, which represents a fall of 19.9% in the year. The other two alloys with significant weight in the Group's supplies for the manufacture of stainless steel are molybdenum and chromium. The price of **molybdenum** has dropped 8% in relation to the 2019 year-end, while the price of **chromium** has fallen by 1%.

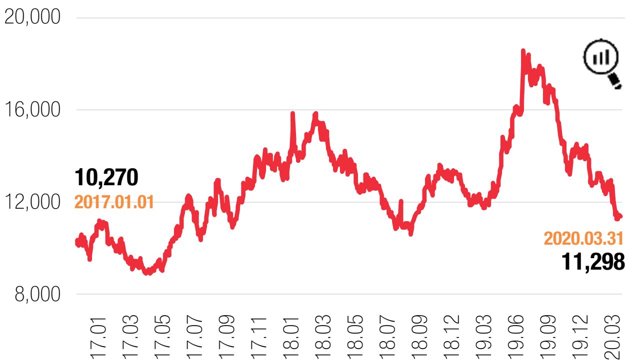
The **oil** price has also undergone a significant adjustment throughout the quarter. The Brent barrel closed March at $26.35, down 60.1% on the close of 2019. This tendency has continued in recent weeks, even recording historic lows of under $20 a barrel.

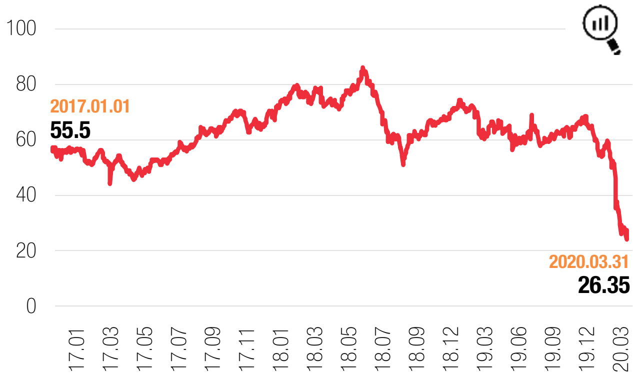
Evolution of the nickel price
DEC 13 - MAR 20 ($/TON)



Evolution of the Brent price
DEC 13 - MAR 20 ($/barrel)







2 Key financial figures

The results for the first quarter of 2020 have been affected by the global crisis provoked by COVID-19. The measures adopted by several countries, ordering the shutdown of all economic activity in an attempt to curb the expansion of the virus, have prevented normal operation at several TUBACEX plants. More specifically, the plants in Spain, Italy and India have been affected by the shutdowns imposed by their respective governments. At the rest of the production units, although full shutdowns have not been ordered, the necessary adoption of social distancing measures to ensure the safety of workers has also led to a reduction in activity. Even so, the Group's level of activity in March stood at around 50%.

The sales figure for the first quarter amounted to €153.7M, up 7.1% on the figure for 2019. The EBITDA reached €12.4M with a margin of 8.1% compared to that of 9.9% in the first quarter of 2019. It must be highlighted that these figures are a long way off TUBACEX's projections for the first quarter as a result of the low level of activity in March. This reduction in activity has not only affected sales growth, which was lower than expected, but also the EBITDA margin given the impossibility of maintaining the operating leverage ratios. However, this effect has been partially offset by the implementation of a profound costs adjustment plan at all levels, which has enabled a reasonable margin of 8.1% to be maintained.

Financial figures
€M

	1Q 2020	1Q 2019	change %
Sales	153.7	143.5	7.1%
EBITDA	12.4	14.3	-13.1%
EBITDA margin	*8.1%*	*9.9%*	
EBIT	0.4	4.5	-90.6%
EBIT margin	*0.3%*	*3.1%*	
Net Profit	(1.6)	1.8	n.m.
Net margin	*neg.*	*1.2%*	

	2020.03.31	2019.12.31
Equity Attributable to the Parent	288.1	287.5
Equity / Net Financial Debt	96.3%	113.4%
Working Capital	235.9	187.2
Working Capital / Sales	37.8%	35.7%
Structural Net Financial Debt (1)	63.1	66.3
Total Net Financial Debt	299.0	253.6
NFD/ EBITDA	*4.6x*	*3.8x*

(1) Total Net Financial Debt - Working Capital
n.m.: Not meaningful
neg.: Negative

In March, the working capital figure stood at €235.9M, up €48.6M on the close of 2019, reflecting extraordinary effects that explain this increase and its subsequent direct impact on the Group's net financial debt. On one hand, the situation caused by COVID-19 as of the first week of March has led to delays in the collection process of certain projects, which are being regulated throughout April and May. Meanwhile, the company's overall working capital is yet to reflect the reduction in commercial and industrial activity derived from the impact of the pandemic on the global supply chain. It is likely that the working capital will be reduced throughout the year.

The net financial debt amounted to €299M, placing the Net Debt to EBIDTA ratio at 4.6x, whereby its rise with respect to the close of 2019 is solely related to the increase in working capital. According to TUBACEX's business model, in which products are made to order, the financial debt is closely related to the working capital, which has mostly already been sold at a positive net realizable value. The working capital represents 78.9% of the debt, so the company's structural financial debt excluding the working capital stands at €63.1M, down €3.2M on the figure at the close of 2019.

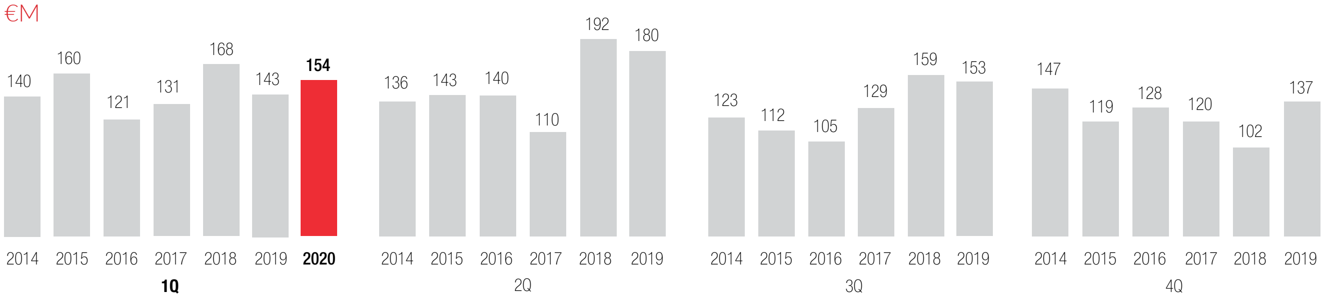
Furthermore, as has now become the norm in the Group's financial strategy, its solid financial structure should once again be highlighted, with a high cash position in excess of €145M.

Given the current macro scenario of recession and the high level of uncertainty, the Group has focused its efforts in recent weeks on protecting and strengthening the cash position. In this respect, it must be mentioned that long term financing operations have been entered into with different financial entities in March and April for the sum of €115.5M, of which €80M correspond to new financing over an average term of 5 years and €35.5M correspond to working capital credit lines, previously subject to annual renewal, which have been renewed for an average maturity period of more than 4 years. The cash position of €145.8M for the quarter, along with the aforementioned transactions, which are a clear reflection of the support of the banking sector, ensure the company's liquidity and full operability in extraordinary circumstances that are conditioning global business activity.

As for the rest of the year, there is no doubt that the current worldwide situation is going to affect TUBACEX's positive outlook for 2020, now placing us in an inevitable scenario of global recession. The magnitude of the impact of this crisis on the Group's results is still uncertain as it will depend on its duration and recovery rate towards a normal scenario. In light of this situation, the Tubacex Group has set the fundamental goal of not destroying the operating cash flow, by maintaining an operating cash flow equal to zero.

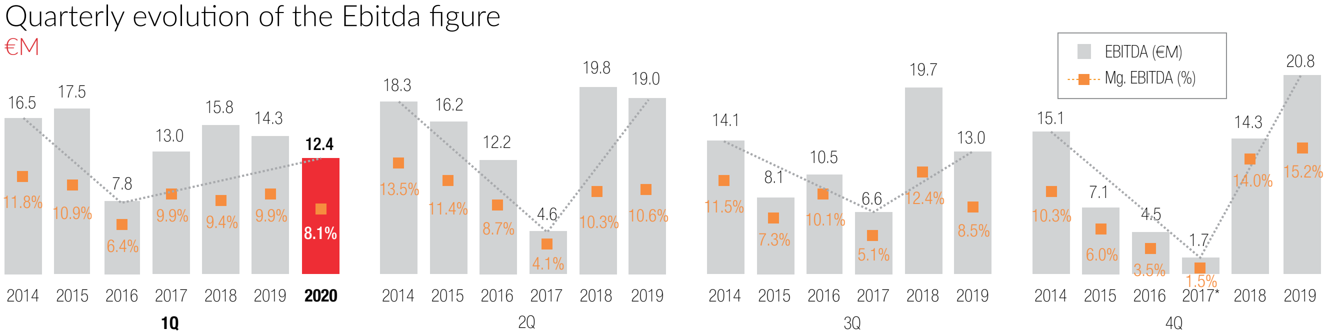
Quarterly evolution of the sales figure

€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

Following the severe crisis that the sector underwent between 2015 and 2017, the volume of projects awarded started to recover in 2018 and the trend was maintained throughout 2019. This tendency, along with the need to invest after years of supply containment, enabled us to glimpse a gradual recovery of activity in forthcoming years. However, the appearance of a totally unforeseeable situation like that of a worldwide pandemic caused by COVID-19 has led to the drastic shutdown of economic activity in all sectors and in all countries, totally changing the positive prospects for 2020 in light of a new context of worldwide recession.

The sales figure through the distribution channel has maintained a positive tendency throughout the quarter, as has been the case for the past year. However, the current macroeconomic situation makes it possible to predict a slowdown in order intake over the coming months, as well as an increase in competitive pressure.

The sales channel to end-users and engineering firms is still the most important channel for TUBACEX, in line with the Group's strategy of developing customized tubular solutions for the end-user. The sales breakdown via this channel is as follows: Gas E&P 28%, Oil E&P 15%, Power Generation 12% and Mid&Downstream 37%.

Within the **Oil&Gas E&P** sector, Gas E&P is particularly relevant as it represents 28% of total sales, due to the fact that gas production is being boosted by global goals of reducing pollutant and CO2 emissions. In the OCTG segment, invoicing for the first quarter has focused on deliveries for gas wells in the Caucasus. During the second quarter, a significant drop in both turnover and new order intake can be foreseen. The scenario of falling international oil and gas prices, influenced by the drop in consumption and the forecast of a worldwide economic recession, is leading to the cancellation of projects and delays in decision-making to approve new investment. Such a negative scenario is focused on the second quarter and the prospects for this segment in the second half of the year is more favorable once the confinement measures are lifted and consumption gradually starts to increase. It must be taken into account that the most significant impact will be on fracking and oil sands, where TUBACEX has residual presence. Likewise, it is important to point out that major projects which are dependent on national companies (NOC) in the Middle East and Brazil are going ahead, most of which should be awarded between the third and fourth quarter of the year, provided that there are no delays.

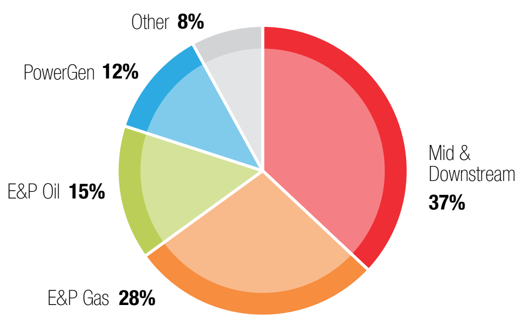
The SURF (Subsea, Umbilicals, Risers and Flowlines) segment deserves special mention, whereby the positive order backlog, with the most recent investments in the SBER plant, along with the increase in productivity driven by improvements to the TXPS processes, have reached a record turnover of umbilical tubes in the first quarter of the year. In terms of trade, the year kicked off with a positive tendency in order intake in this segment until the shutdown at the beginning of March caused by Coronavirus and the subsequent crisis in demand for O&G. Proof of this is the award of major projects, such as: Sangomar Umbilical (Woodside), Marjan and Hasbah Umbilical (Aramco), Jumpers in the Coral Project (ENI), subsea equipment for manifolds in the Ichthys 2 Project (Inpex), etc. In this case, like in OCTG, the current macroeconomic situation is leading to delays in new awards, as well as a reassessment of investments for this year. In spite of the low oil prices, the good news is that the subsea sector has proven its competitiveness as an economically viable, stable and lasting solution even with low oil prices.

In the **Power Generation** sector, TUBACEX continues to have significant international presence and its strategy is based on its positioning as a leading supplier of high value-added tubular solutions, increasingly seeking the latest generation energy efficiency and a reduction in CO_2 emissions. As for the nuclear segment, the Group maintains important activity in nuclear projects with EDF through the GNMS platform. GNMS is now the European leader in project management and is supplying most of the maintenance projects of its fleet of power stations within the framework of what EDP has called the "Grand Carénage" project. This project considers the renewal of primary equipment and the integration of redundant safety systems to comply with the safety measures set out by the French nuclear safety agency (ASN) following the accident at the Fukushima power plant. In this segment, TUBACEX's strong positioning in India can also be highlighted thanks to its commercial and industrial structure in this country and its alliance with Midhani. India has an ambitious nuclear plan in which it expects that 25% of the country's electric power will come from nuclear energy by 2025. In relation to the fossil energy segment, the activity has experienced a downturn in the first quarter of the year due to the shutdown of China as a consequence of the COVID-19 pandemic. However, the country has re-opened its businesses and it is expected that the Chinese government will support this state-owned industry to reactivate the economy. Once more, TUBACEX's good competitive position in this segment in India must be highlighted in order to play a key role in the modernization plan of the Indian coal powered plants through the Advanced Ultra Super Critical Boilers (AUSC), a new, more efficient generation of tubes for boilers which fulfill the goal of reducing CO_2 emissions.

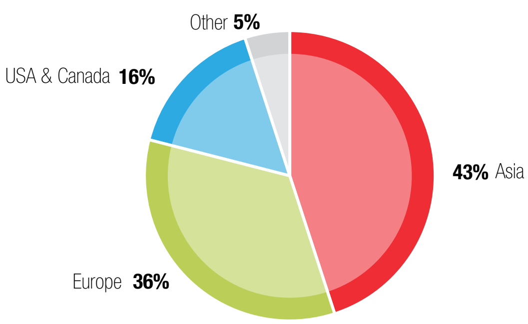
The **Mid and Downstream** sector has also experienced a slowdown during the quarter due to the global health crisis. Most of the projects in progress have experienced delays and, in some cases, they have been suspended or canceled. However, during the second quarter of the year, various Midstream projects are expected to be completed in the Middle East, Africa and the Caspian Sea, as well as in Brazil and the North Sea. As far as refining and petrochemical investments are concerned, capital expenditure is likely to be significantly reduced for the whole year in light of the new macroeconomic situation and the need to reassess all of the companies' investment plans. The economic slowdown will not have a major impact on the demand for petrochemicals in the long term, but the short term evolution of this sector will depend on the duration and severity of the global pandemic.

Breakdown of direct sales to engineering firms and end-users
1Q 2020

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia remains the Group's main market with 43% of sales due to its high exposure to gas extraction E&P segment as well as to power generation. Growth forecasts in this region remain high for the forthcoming years.

Moreover, the positive evolution of the North American market in 2019, combined with the commissioning of the new plant in Oklahoma, enable us to forecast increasing relative importance of this market in the future.

4 Highlights

SHAREHOLDER REMUNERATION

TUBACEX's Board of Directors has decided to modify the distribution of profit proposal for the 2019 financial year, suspending the payment of the dividend of €0.0369 net per share. However, TUBACEX maintains its firm commitment to shareholder remuneration and, therefore, as proof of the trust in the Group's growth project, it has implemented a parallel share buyback scheme for its subsequent amortization. The volume of funds assigned to this scheme amounts to €6M.

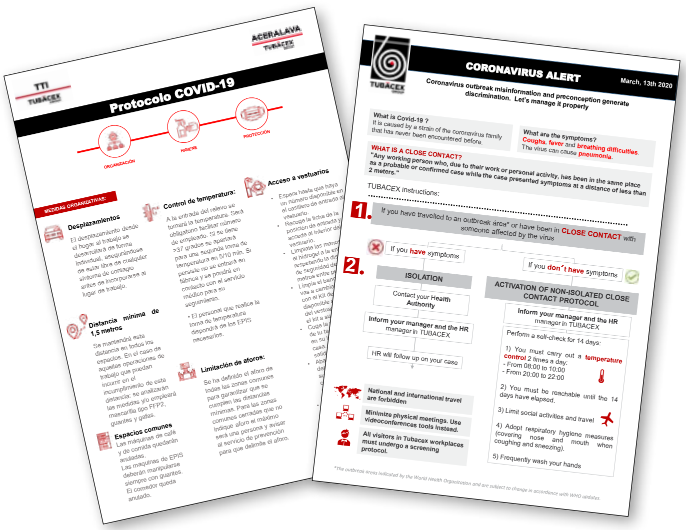
TUBACEX's Board of Directors is still committed to the regular payment of shareholder dividends, so when more light is shed on the effects of the COVID-19 crisis, the Board will re-evaluate the situation in order to proceed, if appropriate, with the reestablishment of dividend.

PROTOCOL FOR COVID-19

TUBACEX has created a multi-disciplinary Crisis Committee with professionals from throughout the organization and levels to adopt the necessary measures to address the consequences of the worldwide COVID-19 pandemic. Four work pillars have been established: Health and Safety, Business Continuity, Preservation of the Financial Situation and Commercial. Therefore, contingency plans have been drawn up in all areas so as to minimize risks and ensure the viability of the company in view of the current complex and challenging environment.

Similarly, the Tubacex Foundation has also developed diverse initiatives aimed at two particularly vulnerable groups in this situation: healthcare professionals and doctors and the elderly. Support plans for these groups have been implemented, making the organization's resources available to society as a whole. More specifically: donation of material (masks, gloves, etc.), use of its own facilities (warehouses and canteens) and support and assistance to the most vulnerable groups.

TUBACEX foundation
Against COVID-19



5 TUBACEX on the stock market

Share evolution

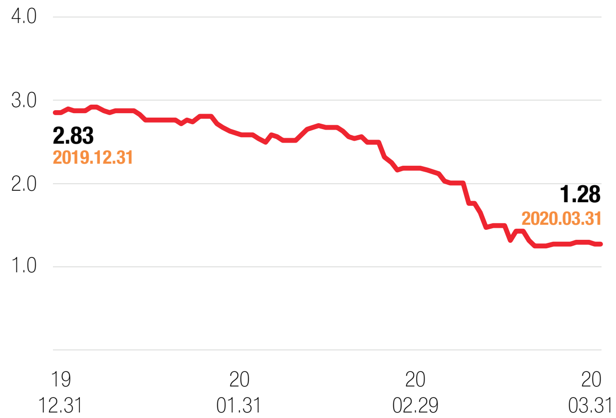
JAN 20 - MAR 20

The worldwide pandemic caused by the Coronavirus has led to the highest levels of volatility in the financial markets, as well as historic adjustments of the main stock exchanges in February and March.

In line with the general market evolution, the TUBACEX share has also undergone a major adjustment during the quarter.

The share price closed March at €1.28, which represents a market capitalization of €170.2M and a drop of 54.8% in the year.

Regarding share liquidity, the number of shares traded on the regulated market during the quarter amounted to 17.2 million, up 84% on those traded in the same period of 2019.

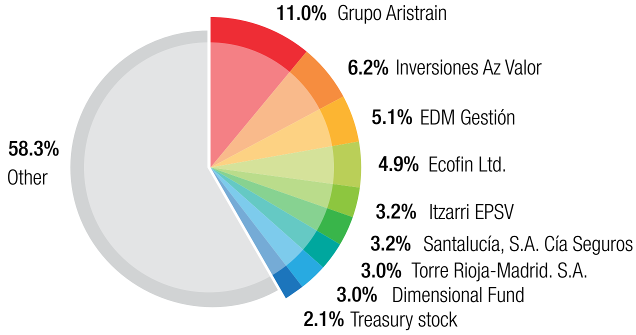


Shareholding

2020.03.31

During the first quarter of the year, there has been a change in the structure of TUBACEX's significant shareholders. The only variation corresponds to the increase in treasury stock, which stands at 2.1% as a consequence of the aforementioned buyback scheme.

Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 31st March 2020 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)

6 Key financial figures

Consolidated balance sheet
€M

	2020.03.31	2019.12.31	change %
Intangible assets	97.6	102.4	-4.7%
Tangible assets	305.1	308.1	-1.0%
Financial assets	75.3	80.5	-6.5%
Non-current assets	**477.9**	491.1	**-2.7%**
Inventories	297.6	305.0	-2.4%
Receivables	100.7	89.0	13.2%
Other account receivables	25.8	22.2	16.1%
Other current assets	12.4	6.9	78.8%
Derivative financial instruments	1.8	2.2	-18.8%
Cash and equivalents	145.8	167.2	-12.8%
Current assets	**584.2**	592.5	**-1.4%**
TOTAL ASSETS	1,062.1	1,083.6	-2.0%
Equity, Group Share	288.1	287.5	0.2%
Minority interests	47.7	48.2	-1.0%
Equity	**335.7**	335.6	**0.0%**
Interest-bearing debt	178.4	166.6	7.1%
Derivative financial instruments	0.1	0.1	0.0%
Provisions and other	49.8	59.6	-16.5%
Non-current liabilities	**228.3**	226.3	**0.9%**
Interest-bearing debt	266.4	254.2	4.8%
Derivative financial instruments	0.5	0.8	-37.2%
Trade and other payables	162.5	206.8	-21.4%
Other current liabilities	68.6	59.9	14.5%
Current liabilities	**498.0**	521.6	**-4.5%**
TOTAL EQUITY AND LIABILITIES	1,062.1	1,083.6	-2.0%

Consolidated income statement
€M

	1Q 2020	1Q 2019	change %
Sales	153.7	143.5	7.1%
Change in inventories	(7.4)	1.1	n.m.
Other income	3.5	3.0	14.5%
Cost of materials	(66.2)	(69.9)	-5.2%
Personnel expenses	(37.5)	(36.8)	2.1%
Other operating costs	(33.7)	(26.8)	25.9%
EBITDA	12.4	14.3	-13.1%
EBITDA Margin	8.1%	9.9%	
Amortization and Depreciation	(12.0)	(9.8)	22.4%
EBIT	0.4	4.5	-90.6%
EBIT Margin	0.3%	3.1%	
Financial Result	(3.2)	(3.0)	6.5%
Exchange differences	(0.1)	0.2	n.m.
Net Income, Group Share	(1.6)	1.8	n.m.
Net Margin	neg.	1.2%	

n.m.: Not meaningful
neg.: Negative

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