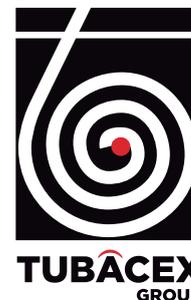


Earnings release report

FULL YEAR
2019



“In 2019, we have started to see a recovery in terms of demand which has translated into a substantial improvement of the Group’s results”

Since mid-2014 we have been suffering the worst crisis in the sector, defined by four consecutive years of drop in demand and pressure on prices. Fortunately, we can now say that 2019 has marked a turning point in market recovery. Although not close to precrisis levels, our order intake has increased by 30% on average compared to the previous year. A good example of this is that in 2019 TUBACEX has maintained the results and margins obtained in 2018, although with a significantly weaker mix after the cancellation of a major OCTG project in the Middle East.

In spite of the long crisis, TUBACEX has never stopped its strategic investments through all these years, but has made progress towards our positioning as a key supplier of tubular solutions to end users. New products and services have been developed, companies have been acquired to extend the Group’s value offer, a new plant has been built in the United States, and alliances have been forged with very important strategic partners.

In the field of sustainability, TUBACEX has treated the fight against climate change, one of the major challenges faced by society, as a priority strategy. We are launching a new generation of materials which enhance efficiency while reducing CO2 emissions; we have implemented internal lines of action to optimize processes and minimize

environmental impact; and we have redefined our innovation approach by embracing new challenges related to reducing CO2 emissions and promoting a circular economy. In addition to this, thanks to Fundación Tubacex we have kickstarted a new project in collaboration with the “Colabora Birmania” NGO to foster education in childhood. And all this framed within a management system based on the EFQM Excellence Model principles.

Thanks to the huge effort we have made in recent years, TUBACEX is now better prepared to face a change in trend on the market. In 2019, we have started to see a recovery in terms of demand which has translated into a substantial improvement of the Group’s results. This recovery continues in 2020 and in addition to it, several major projects are now in their final award and negotiation phases. For all the foregoing, yet with due caution in the face of external factors, such as the coronavirus, which might affect global growth rate, we can now say we have turned the corner on the worst crisis in the sector and we now enter into a period of major growth for our Company.

Jesús Esmorís
CEO



1 Market environment

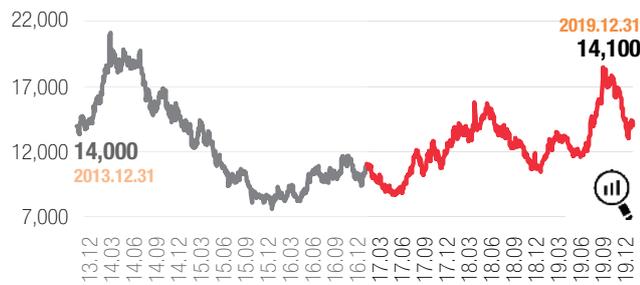
In spite of market instability progressively mounting throughout the year, and particularly in the summer, 2019 has been defined by a general upward trend in **raw material** prices.

The price of **nickel** closed 2019 at \$14,100 per ton, which represents a revaluation of 31.5% 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 dropped 23% in relation to 2018 year-end, while the price of chromium has fallen by 9%.

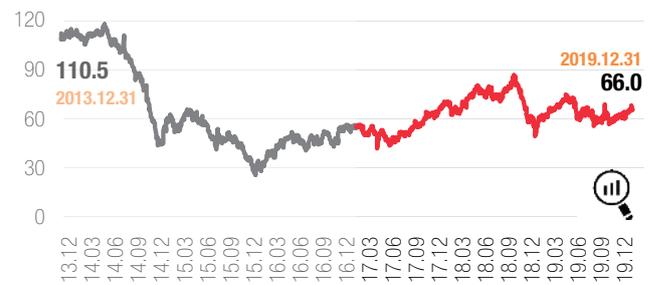
The price of **oil** has also maintained a positive trend throughout the year. The Brent barrel closed December at \$66.0, up 22.7% on the 2018 year-end, and further rises due to increased geopolitical tensions combined with the fragile and deteriorated supply-demand balance caused by a lack of structural investments in the past 4-5 years, are not ruled out.



Evolution of the nickel price
DEC 13 - DEC 19 (\$/TON)



Evolution of the Brent price
DEC 13 - DEC 19 (\$/barrel)





• 2 Key financial figures

2019 turnover amounted to €613.5 million, in line with sales of the previous year and despite the cancellation of a major OCTG order, thanks to market improvement as well as to the arrival of the NTS Group (Nobu) to the Group.

In 2019, we have witnessed the start of a general gradual 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, achieving double-digit consolidated margins. Thus, EBITDA closed the year at €67.1 million, only 3.6% below 2018 EBITDA and with a margin of 10.9%.

Financial figures

€M	2019	2018	change %	4Q 2019	4Q 2018	change %
Sales	613.5	622.1 ⁽¹⁾	-1.4%	137.2	102.2	34.2%
EBITDA	67.1	69.6	-3.6%	20.8	14.3	45.8%
EBITDA margin	10.9%	11.2%		15.2%	14.0%	
EBIT	22.8	34.4	-33.8%	5.0	6.1	-18.4%
EBIT margin	3.7%	5.5%		3.6%	6.0%	
Profit before taxes	11.5	19.9	-42.2%	1.8	2.9	-37.7%
Margin	1.9%	3.2%		1.3%	2.8%	
Net Profit	11.1	17.4	-35.9%	3.9	5.0	-21.2%
Net margin	1.8%	2.8%		2.8%	4.9%	

	2019.12.31	2018.12.31
Equity Attributable to the Parent	287.5	274.4
Equity / Net Financial Debt	113.4%	107.8%
Working Capital	187.2	222.2
Working Capital / Sales	30.5%	35.7%
Structural Net Financial Debt ⁽²⁾	66.3	32.2
Total Net Financial Debt	253.6	254.5
NFD/ EBITDA	3.8x	3.7x

(1) 2018 turnover has been re-formulated as a result of a re-classification to the amount of €55.2M under the "Revenue", "Stock Variation" and "Procurements" headings, with no impact on the Group results.

(2) Total Net Financial Debt - Working Capital.

The working capital amounted to €187.2 million in December, €35.0 million under the close at 2018 and with a percentage over sales of 30.5%, which comfortably meets the strategic goal of maintaining this target under 35%.

The net financial debt amounts to €253.6 million, reaching 3.8x 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 73.8% of the debt, so the company's structural financial debt without including the working capital stands at €66.3 million. The Group debt increase during 2019 is mainly based on extra investments made. In addition to acquiring the minority stake which did not hold in IBF and the takeover of NOBU NTS Group which represented expenses of almost €30 million, Tubacex Group has built a new plant in Durant (Oklahoma, USA) which was commissioned in December and is expected to be fully operational in the second semester 2020.

These three operations together with normal investments from the Group have resulted in an exceptional increase in the total CAPEX for the year exceeding €60 million. The fact that TUBACEX has maintained a similar net financial debt compared to 2018 in spite of those extraordinary investments demonstrates our capacity for cash flow generation throughout the year.

Moreover, as it has become customary regarding the Group's financial strategy, its solid financial structure should once again be emphasized, with a high cash position in excess of

€150 million which will enable it to face debt maturities in the next 4-5 years. Our debt ratio is expected to meet the Group x3 strategic objective at the 2020 year-end.

Regarding future prospects, TUBACEX anticipates 2020 will bring an upward trend in result generation thanks to a gradual market improvement. 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.

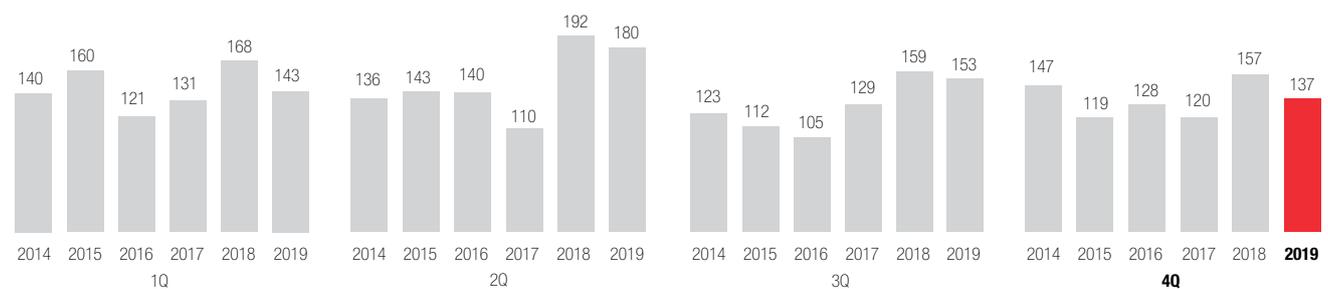
Quarterly evolution

In the fourth quarter 2019 sales rose to €137.2 million, with an EBITDA of €20.8 million and a margin of 15.2%. It is necessary to remember that our EBITDA in the fourth quarter was impacted by the NTS Group's incorporation

to the consolidation perimeter. In spite of this, results and margins for the entire year have clearly shown green shoots of recovery for the sector.

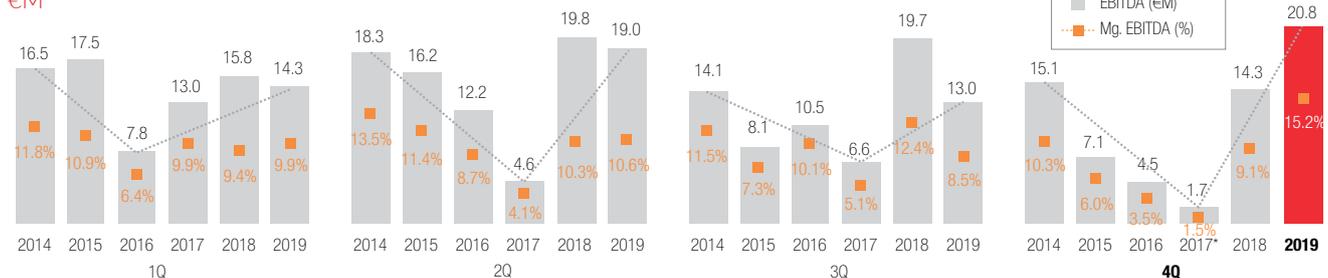
Quarterly evolution of the sales figure

€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.

Proposal for the distribution of results

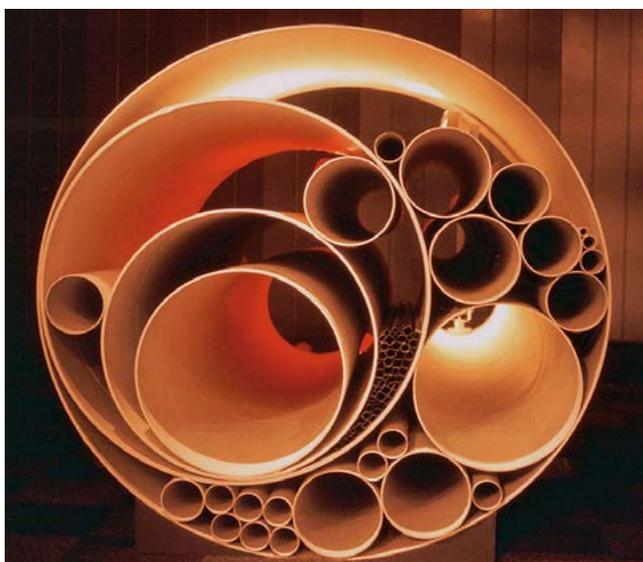
In line with the TUBACEX Group's commitment, the Board of Directors proposes the distribution of 53.8% of the Group's net profit, which represents a total payout of 6 million Euro. In terms of shares, a dividend payment of €0.046 is proposed.

3 Business evolution

After the severe crisis endured by the sector between 2015 and 2017, the volume of projects awarded started to recover in 2018 and this trend was maintained throughout 2019. This evident recovery along with the need to invest after years of offer stagnation, are allowing us to glimpse a progressive recovery of activity in forthcoming years.

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 an 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. This is even more obvious in relation to gas production driven by reduction targets for polluting and CO2 emissions. In the OCTG segment, in spite of a lower intake volume compared with 2018, TUBACEX has maintained its strategy of offering a complete solution in the demanding oil extraction sector. At the same time, we have improved our commercial position with the main Middle East operators with a view to materializing major business opportunities in 2020.



The **Subsea, Umbilicals, Risers and Flowlines (SURF)** segment, where order intake has reached historical record figures for the Group, also deserves special mention. In 2019, the Group umbilicals supply reached unprecedented figures for TUBACEX with multi-annual projects to the main oil companies worldwide. Furthermore, the platforms (FPSO and FLNG) market has shown significant improvement after years of strong correction.

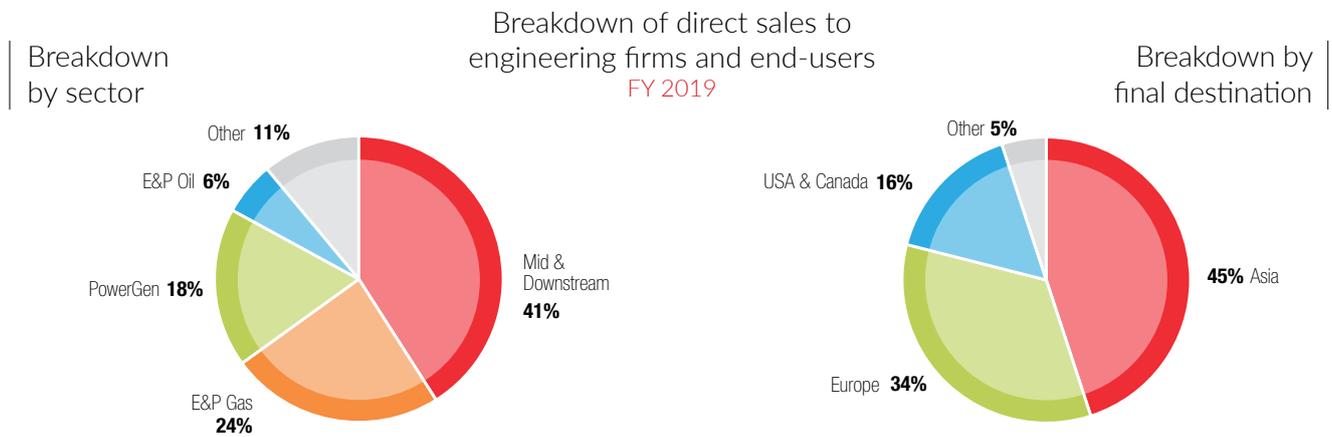
On the **Power Generation** market, TUBACEX continues to maintain a significant presence at international level. The Group strategy is based on becoming the leading supplier of high value tubular solutions, increasingly seeking state-of-the-art energy efficiency and reducing the volume of CO2 emissions. In 2019 this market improved its performance compared to 2018, both in the thermal and fossil fuel power generation as well as the nuclear power segments. In the conventional power generation segment, the demand for advanced steels and treatments such as shotpeening for supercritical technology plants has grown in countries like China and India, and a significant rise is also expected in South Korea in forthcoming years. Regarding the nuclear market, despite the recent uncertainty that has characterized this market, our turnover has followed a growing and highly profitable trend, facilitated through the GNMS consortium. This sales platform is helping us position ourselves closer to end users and EPCs.



The **Mid and Downstream** sector also recorded high activity throughout the year, with a growing trend in geographical areas such as the United States and China. The good performance of tubes for furnaces and large-diameter tubes for refineries, a sector where TUBACEX is consolidating our strategy to become a comprehensive supplier of tubular solutions, with a greater range of products and new added services on offer, was also outstanding. The ceramic solution supplied by Tubacoat which is beginning to play a major role in direct sales to refineries is also worth special mention.

The development of **new demand sectors** beyond the traditional ones is a clear strategic commitment of the TUBACEX Group. One of those sectors is **Fertilizers**, where the Group has maintained a strong technical and positioning effort thanks to the development of all the formats needed to supply the entire portfolio for urea plant construction. Another sector gaining momentum is the **Precision tubes for transportation** market.

In 2019, it is worth mentioning the excellent performance signed by the aeronautical segment with a significant rise in sales in the United States, where the Group is installing a new plant in Oklahoma to reinforce its position even further.



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.

Moreover, the positive evolution of the American market in 2019 combined with the commissioning of our new plant in Oklahoma throughout 2020, enable us to forecast an increasingly relative growth for this market in the future.





4 Highlights

TUBACEX WAS AWARDED THE MANAGEMENT EXCELLENCE SILVER A

December 2019

TUBACEX has received the Silver A recognizing Management Excellence after a comprehensive assessment process. Obtaining this award granted by Euskalit, the Basque Foundation for Excellence, represents a qualified backing to our excellence in management. Furthermore, TUBACEX has committed to apply the EFQM excellence model in our organization, aiming to encourage our workforce to become more involved in continuous improvement while supporting management processes to build a total quality culture.



TUBACEX WEBSITE REDESIGNED

December 2019



TUBACEX corporate website has been redesigned in order to improve user experience and offer new functionalities oriented to facilitate browsing and information access. Likewise, a new website has been designed to showcase actions carried out within our Foundation framework.

TUBACEX PROMOTES EDUCATION FOR THE MOST UNDERPRIVILEGED CHILDREN

TUBACEX continued its commitment to encouraging children's education through a comprehensive education project aimed at Burmese boys and girls displaced to Mae Sot, a border village in Thailand. This project was promoted in collaboration with the NGO "Colabora Birmania" which has been supporting schooling for this group besides offering them an opportunity to grow and develop in a safe environment. TUBACEX has decided to promote the continuation of these education programs, financing the costs of the children's entire development cycle: orphanage, nursery, education and support in finding work on reaching adulthood.

For further information: www.fundaciontubacex.com





5 TUBACEX on the stock market

Share evolution

JAN 19 - DEC 19

After a 2018 generally defined by poor market evolution, the start of 2019 marked a change in trend.

In spite of financial turbulences returning to impact markets by the middle of the year, and particularly in the summer, TUBACEX shares have maintained a positive performance.

The price of shares closed December at €2.83, which represents a market capitalization of €376.3 million and a revaluation of 13.2% in the year.

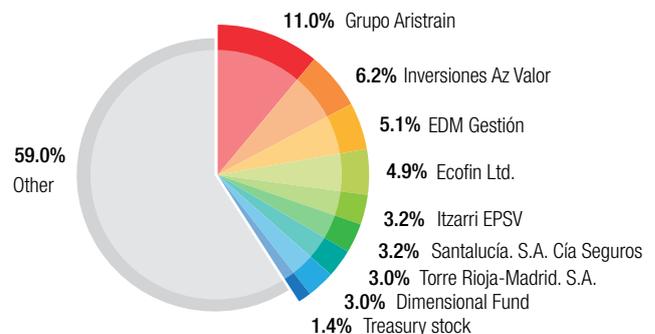
Regarding share liquidity, the number of shares traded during the year in the regulated market amounted to 33.8 million, with effective trading of €93.9 million.



Shareholding

2019.12.31

During 2019, there has been no change in the structure of the Company's significant shareholders. The only change reported to the CNMV in July 2019 was the increased in the significant stake owned by Inversiones AzValor of up to 6.2%. Therefore, as recorded in the CNMV, the TUBACEX shareholder structure at 31st December 2019 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)



6 Key financial figures

Consolidated balance sheet
€M

	2019.12.31	2018.12.31	change %
Intangible assets	102.4	51.9	97.2%
Tangible assets	308.1	267.7	15.1%
Financial assets	80.5	73.9	8.9%
Non-current assets	491.1	393.5	24.8%
Inventories	305.0	308.5	-1.1%
Receivables	89.0	76.9	15.8%
Other account receivables	22.2	16.8	32.6%
Other current assets	6.9	4.7	48.4%
Derivative financial instruments	2.2	1.8	19.3%
Cash and equivalents	167.2	190.1	-12.1%
Current assets	592.5	598.7	-1.0%
TOTAL ASSETS	1,083.6	992.2	9.2%
Equity, Group Share	287.5	274.4	4.8%
Minority interests	48.2	26.1	84.8%
Equity	335.6	300.4	11.7%
Interest-bearing debt	166.6	138.6	20.2%
Derivative financial instruments	0.1	0.7	-86.4%
Provisions and other	59.6	34.7	71.7%
Non-current liabilities	226.3	174.0	30.0%
Interest-bearing debt	254.2	306.0	-16.9%
Derivative financial instruments	0.8	1.6	-51.5%
Trade and other payables	206.8	163.1	26.8%
Other current liabilities	59.9	47.1	27.2%
Current liabilities	521.6	517.8	0.7%
TOTAL EQUITY AND LIABILITIES	1,083.6	992.2	9.2%

Consolidated income statement

€M

	2019	2018	change %	Q4 2019	Q4 2018	change %
Sales	613.5	622.1	-1.4%	137.2	102.2	34.2%
Change in inventories	2.9	27.5	-89.4%	0.6	38.3	-98.5%
Other income	12.6	12.8	-1.5%	4.5	6.2	-26.7%
Cost of materials	(307.7)	(328.9)	-6.5%	(69.3)	(64.5)	7.6%
Personnel expenses	(146.2)	(133.5)	9.5%	(38.3)	(35.4)	8.4%
Other operating costs	(121.0)	(130.4)	-7.2%	(26.8)	(32.6)	-17.8%
Negative goodwill	13.0		n.m.	13.0		n.m.
EBITDA	67.1	69.6	-3.6%	20.8	14.3	45.8%
EBITDA Margin	10.9%	11.2%		15.2%	14.0%	
Amortization and Depreciation	(44.3)	(35.1)	26.1%	(15.9)	(8.2)	93.6%
EBIT	22.8	34.4	-33.8%	5.0	6.1	-18.4%
EBIT Margin	3.7%	5.5%		3.6%	6.0%	
Financial Result	(11.7)	(14.8)	-20.8%	(3.3)	(3.9)	-14.6%
Exchange differences	0.4	0.2	82.2%	0.1	0.7	-78.5%
Profit Before Taxes	11.5	19.9	-42.2%	1.8	2.9	-37.7%
Profit Before Taxes Margin	1.9%	3.2%		1.3%	2.8%	
Income taxes	3.2	(2.5)	n.m.	3.0	1.2	n.m.
Consolidated Net Income	14.7	17.4	-15.8%	4.8	4.1	18.4%
Minority interests	(3.5)	(0.0)	n.m.	(0.9)	0.9	n.m.
Net Income, Group Share	11.1	17.4	-35.9%	3.9	5.0	-21.2%
Net Margin	1.8%	2.8%		2.8%	4.9%	

n.m.: Not meaningful

WWW.TUBACEX.COM

