Earnings Release

3rd QUARTER
2020

"Despite the uncertain duration of this situation, we know it will end one day and we will be better equipped than ever to maximize the growth cycle which will inevitably arrive."

After four years of crisis in the sector, the gradual market recovery started in 2018 has been cut short by the global COVID-19 pandemic. We are currently facing a situation of extreme uncertainty which will not disappear until the health crisis has finally been left behind. This uncertainty is giving shape to what can be envisaged as a major global economic crisis affecting all business to a greater or lesser extent.

Since the onset of this health crisis TUBACEX's priority has been to protect the health and safety of its employees as well as fulfilling our commitments with our customers. Despite this uncertain background with an unpredictable timescale, as soon as the pandemic was declared, TUBACEX launched an Action Plan based on three work lines: financial, costs and commercial. The financial work line aimed at securing the Group's liquidity and solvency with a high cash position. This approach was successfully completed and enabled a full debt restructuring, via debt diversification, maturity date extensions likewise ensuring liquidity for the Company in the short and medium term. The costs work line seeks to achieve cost savings of 20 - 25 million thanks to a strict adjustment plan on all levels. This plan has led to very hard decisions, such as the need to reduce the workforce by 20%, which were nevertheless necessary to guarantee the Group's profitability. This restructuring, now at a very advanced stage and mainly awaiting final adjustments at Spanish plants, is expected to be fully implemented in the short term.

Finally, the aim of the commercial work line is to maintain and reinforce the Group's commercial position, to make the most of our return to the market when it happens. Our efforts focused on this field are leading to the negotiation and signing of long-term agreements with the main end users of our higher added value products, even despite the complicated current market situation.

In the short term, we are aware of the fact we are facing one of the most demanding and challenging times in history. Uncertainty and high volatility on all markets will be part of our day-to-day in the forthcoming months and quarters. This is why at TUBACEX we are adapting to this new reality. We are making internal adjustments aimed at guaranteeing and protecting the Company's profitability. At the same time, we continue working on our strategic goals. Despite the uncertain duration of this situation, we know it will end one day and we will be better equipped than ever to maximize the growth cycle which will inevitably arrive.

In the medium/long term, the energy transition will continue to take shape and we remain fully committed to sustainable development targets. All new technologies require materials to be highly resistant to temperature, corrosion and pressure, therefore, TUBACEX is called to play a leading role in the energy transformation process.

Jesús Esmorís
CEO

1 Macroeconomic background

Raw material price evolution has varied according to how the outbreak has affected end user sectors and regions, storage possibilities and supply flexibility for each raw material.

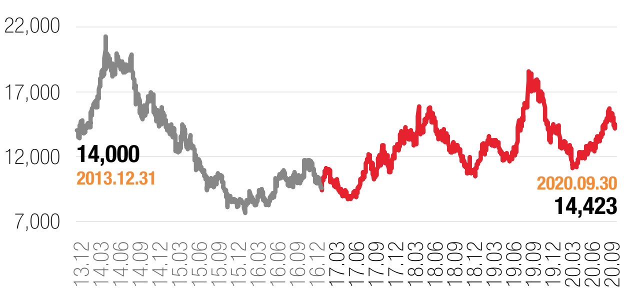
Between February and April 2020, oil prices fell by over 60% as global oil demand crashed due to the pandemic and gave rise to concerns regarding storage capacity. Reduced supply was both due to the OPEP+'s adjustment as well as plant closures and American producers' bankruptcy. At the same time, the progressive recovery of economic activity has activated demand.

Thus, the price of the **Brent barrel** has experienced a major recovery since the record lows below $20 in April and closed September at $42.3. However, it still remains at very low levels, with an accumulated 35.9% drop for the year.

The price of **nickel** closed September at $14,423 per ton, representing a recovery of 2.3% in 2020, still far from historic levels. 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 7.1% in relation to 2019 year-end, whereas the chromium price has increased 12%.

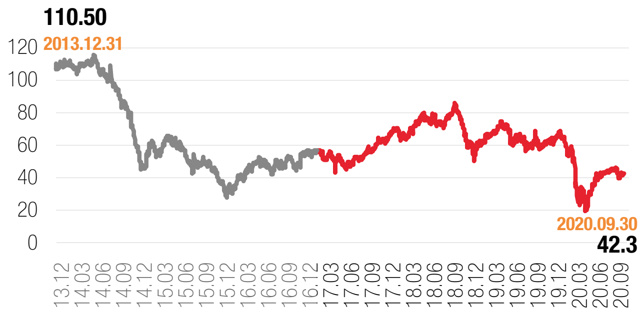
Evolution of the nickel price

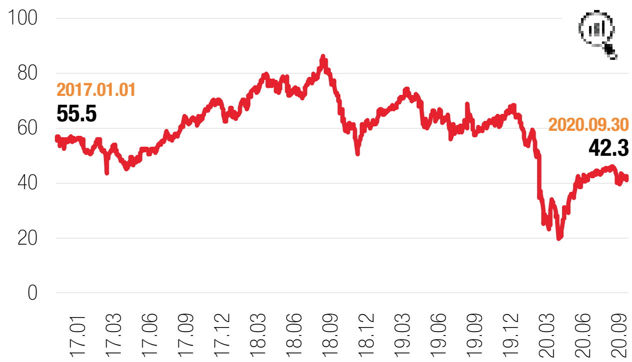
DEC 13 - SEP 20 ($/TON)



Evolution of the Brent price

DEC 13 - SEP 20 ($/barrel)





2 Key financial figures

2020 started with a very good outlook for a market promising a gradual recovery in the next 2-3 years and a strong backlog. Nevertheless, the year's results, strongly determined by the global macroeconomic and health care environment, are well below the Group's expectations at the start of the year.

The sales figure in the first nine months of the year amounted to €389.6 million while the EBITDA was €26.4 million with a margin of 6.8%. As with results for the first half, these figures are a far cry from TUBACEX's prospects at the start of the year; however, we should highlight that even in a highly dramatic environment like the present, the Group still has positive operating results with reasonable margins.

In fact, during the third quarter, the shortest due to the summer vacation in most production units, sales amounted to €107.6 million and EBITDA to €6.6 million. This has been possible thanks to the geographic and product diversification and the rapid action plan implemented with a thorough adjustment of costs at all levels.

In light of the global recession and with a view to adapting the Group's activities to a low-activity scenario at least during the next three quarters, a restructuring plan affecting approximately 20% of the workforce was announced. This plan, together with other adjustments made, will enable a reduction of company costs of around 20 - 25 million euros by 2021. September results include part of the cost associated with this restructuring. However, some restructuring measures still require implementation in Spanish subsidiaries.

Financial figures
€M

	9M 2020	9M 2019	change %	Q3 2020	Q3 2019	change %
Sales	389.6	476.3	-18.2%	107.6	152.8	-29.6%
EBITDA	26.4	46.2	-42.9%	6.6	13.0	-49.1%
EBITDA margin	*6.8%*	*9.7%*		*6.1%*	*8.5%*	
EBIT	(7.3)	17.8	n.m.	(3.0)	4.5	n.m.
EBIT margin	*neg.*	*3.7%*		*neg.*	*3.0%*	
Net Profit	(13.0)	7.2	n.m.	(4.7)	2.2	n.m.
Net margin	*neg.*	*1.5%*		*neg.*	*1.5%*	

	2020.09.30	2019.12.31
Equity Attributable to the Parent	255.6	287.5
Equity / Net Financial Debt	87.0%	113.4%
Working Capital	215.0	187.2
Working Capital / Sales	40.8%	30.5%
Structural Net Financial Debt (1)	78.7	66.3
Total Net Financial Debt	293.7	253.6
NFD/ EBITDA	*6.2x*	3.8x

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

Regarding the balance sheet, it is worth mentioning that a reduction in the parent company's equity of €31.9 million is the result of three main factors: the negative net profit generated; a share buyback program; and the impact of exchange rate fluctuations affecting foreign currency balances.

The working capital stands at €215.0 million, up €27.8 million at 2019 year-end. This occasional temporary increase is due to different reduction rates affecting current assets and liabilities. Nevertheless, the trend for the forthcoming quarters is of a gradual reduction in their net amount, adapting to the company's activity levels.

A hugely relevant figure at the moment is the working balance evolution (current assets – short-term liabilities) which has actually doubled, going from €71.1 million on December 31, 2019 to €142.0 million on September 30, 2020.

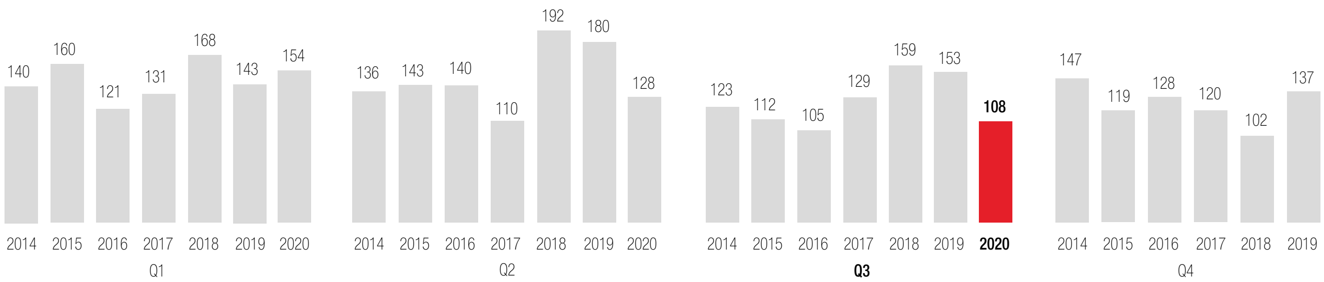
The net financial debt amounted to €293.7 million, with a leverage ratio at 6.2x EBITDA. Another noteworthy figure is the gross financial debt of 56.3% classed as long-term, as opposed to 39.6% at 2019 year-end. Furthermore, since TUBACEX is an integrated group that works on orders, its working capital amounts to 73.2% of the debt; therefore, the company's structural financial debt, excluding working capital, stands at €78.7 million, compared to €66.3 million at the close of 2019.

In terms of liquidity, the Group's cash position amounts to €170.5 million, in addition to undrawn credit facilities of €66.4 million. As of September 30, 2020, combined liquid assets amounted to €236.9 million; while the same figure amounted to €216 million on December 31, 2019. The Group's cash position covers loans with maturity dates well into 2024.

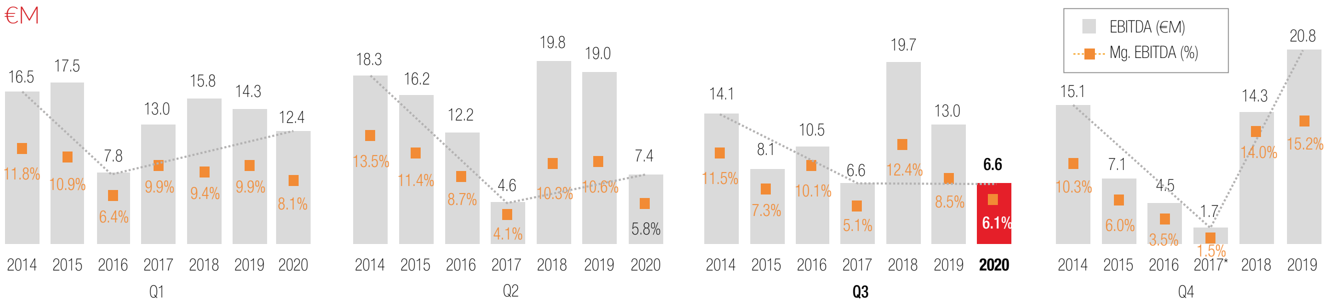
Under the framework of the restructuring completed as a response to COVID-19, TUBACEX has signed loans for €60.5 million over a 5 year term and with a one-year grace period, by virtue of a framework agreement with 11 financial institutions with ICO funding support. Simultaneously the company has re-negotiated short-term credit facilities of €78 million in long-term installments ranging from 2 to 5 years with funding support from ICO and CESCE. Over 43% of this sum was signed for a 5-year term.

As for the future, it is impossible to predict the evolution of global activity as it will be determined by the virus evolution. To address this situation, the main aim of Tubacex Group is to protect its operating cash flow, maintaining zero cash flow from operations, maintaining a net financial debt at levels similar to those of previous years, and above all, as already mentioned, having implemented a very important reinforcement while improving its liquidity, solvency and margin of financial maneuver.

Quarterly evolution of the sales figure
€M



Quarterly evolution of the EBITDA figure
€M



* *EBITDA generated in the fourth quarter of 2017 included extraordinary adjustments corresponding to the regularization of equipment, tooling and stocks linked to the manufacturing of conventional products in Austria which were moved to India*

3 Business evolution

The current market environment is still marked by huge uncertainty due to the COVID-19 pandemic. The global recession is expected to slow down major investment-related decision-making in the energy sector. In turn, this leads to an overall weakness in demand in all sectors served by TUBACEX, as well as a significant 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 27%, Oil E&P 14%, Power Generation 14% and Mid&Downstream 37%.

The **Oil&Gas E&P sector** has been characterized by a sharp fall in activity throughout the year, due to the effect of Coronavirus and the oil price war. Consumption of oil derivatives fell by over 10% year to date, and despite budding recovery in some sectors, others such as kerosene type jet fuel for example, are hitting figures below 50% in relation to the pre-COVID-19 situation. Thus, the overall picture shows a major contraction in commissioning new production wells, as well as a sharp halt in new investment for implementation in 2021. However, medium-term projections are more optimistic and deferred projects will return once the health crisis is overcome.

The Subsea, Umbilicals, Risers and Flowlines (SURF) segment is also showing a slowdown in contract awarding. As expected, Norway (thanks to tax reduction measures) and Brazil continue to concentrate most activity in this segment. Several contracts are expected to be awarded in forthcoming months in these areas, where TUBACEX has a very good position. Other geographical markets are dominated by a general weakness in demand and major investments are not expected to come to fruition until 2021 budgets are presented by the main Oil&Gas companies. However, all projections indicate that 2021 will bring a slight recovery which will be consolidated in 2022.

In the **Power Generation sector**, TUBACEX enjoys a 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 CO2 emissions. This market has outperformed the rest during the year. The fossil fuel sector has recovered pre-COVID-19 activity levels after two 1GW units were recorded in China and a revamping project was won in the United States. The Group faces 2021 with positive prospects in this segment.

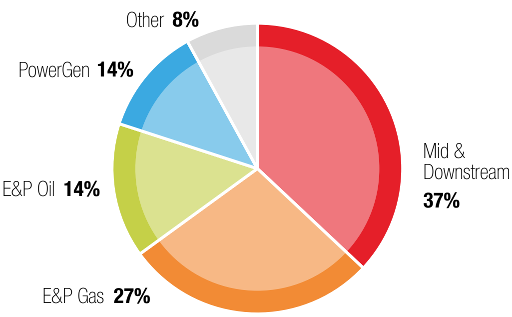
In the nuclear segment, 2020 is a record year in terms of sales for the Group since construction projects were unaffected by the pandemic. In particular, TUBACEX is increasingly reinforcing its position in Groupe EDF, due to its participation in the Hinkley Point project in the UK, as well as the maintenance and renovation plan for Grande Carenage. In addition, TUBACEX continues to make progress with its value proposal for the Russian group Rosatom, which plans to build over 30 nuclear plants worldwide and with whom TUBACEX has just won major orders for their projects in Turkey. The outlook for this segment is also very positive for the forthcoming years.

As in the other sectors, the COVID-19 crisis has also had a negative impact on the **Mid and Downstream business**. Projects continue to be reviewed with delays and cancellations determined by demand, prices and profitability. In the short term, the industry is focusing on re-aligning production and demand. All investments are currently undergoing re-assessment, and since fortunately demand will be unaffected in the long term, overall improvement is expected from the second half of 2021. In the Midstream sector, where main gas processing projects are still under way and gas processing infrastructure still needs to be completed to start operating, a significant FID is expected in the second half 2021. After a strong bullish trend in 2019, the FPSO industry is suffering a very significant drop in demand this year, and solid recovery of final award phases can only be expected towards the end of 2021, representing an important increase in orders in 2022. In the Downstream sector, the outlook is still weak for 2021, since refineries are forced to re-assess their production mix margins and configuration. However, as large refineries have focused their approach on higher profitability, global CAPEX will be revitalized from 2022.

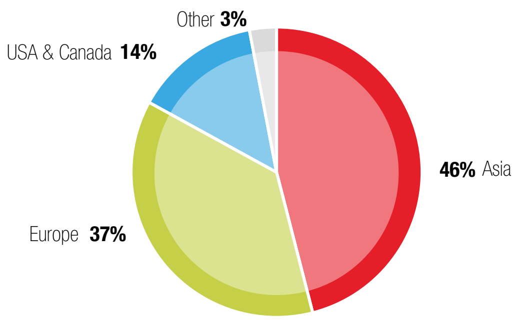
Breakdown of direct sales to engineering firms and end-users

9M 2020

Breakdown by sector



Breakdown by final destination



From a geographic viewpoint, Asia still is the Group's main market with 46% 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, somewhat reduced this year due to the global pandemic, and in particular, due to its negative impact on the aerospace sector, combined with the commissioning of the new plant in Oklahoma, enable us to forecast the increasingly relative importance of this market in the future.

4 Highlights

API Q2 certification

Tubacex Upstream Technologies is the first Spanish company and the fifth European firm to obtain API Q2 certification. This standard addresses strict Quality Management System for upstream service suppliers. The API Q2 standard sets out requirements to reduce risks and increase service quality through identification and standardization of upstream services execution. These services include well construction, intervention, production, and abandonment. This certification guarantees the Company has implemented rigorous procedures to secure key Quality Management System elements.

TUBACEX UPSTREAM TECHNOLOGIES

TUBACEX GROUP

Tubacex India is key in India's nuclear platform

The Indian Government has an ambitious plan to build nuclear power plants. Tubacex India is part of the platform created by suppliers of nuclear services to (i) detect opportunities available on this energy market; (ii) design effective strategies for growth and anticipating to future changes; as well as (iii) fostering and promoting competitive intelligence through the analysis of challenges currently faced by the nuclear power sector in India.

This platform will act as a bridge between buyers and sellers, where national and foreign suppliers and official representatives of operators and the Indian government can debate and solve any issue related to this industry as well as legal, finance, design and cybersecurity regulations, among others; besides boosting business opportunities in this way.

Tubacex India is set to become not only the Group's linepipe and tubing industrial platform, but also a vital industrial center for the nuclear segment.

5 TUBACEX on the stock market

Share evolution
JAN 20 - SEP 20

The global pandemic due to Coronavirus led to record lows on all stock exchanges during the first quarter. The strong financial and tax incentives introduced by central banks and governments favored a slight recovery of risk assets between March and June. However, fresh outbreaks identified after the summer combined with fears of a possible second wave have had a very negative impact, in particular, on cyclical sectors.

During the third quarter of the year and in line with general market performance, TUBACEX share price has undergone a strong adjustment.

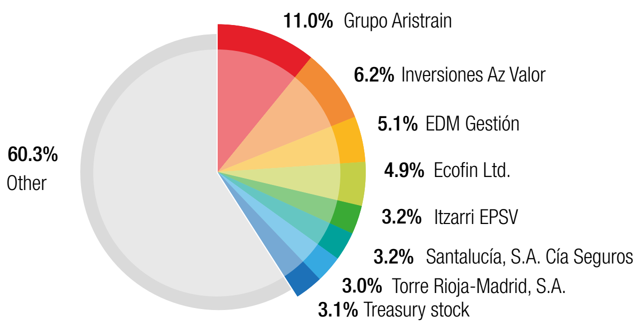
The share price closed September at €1.09, representing a market capitalization of €144.9 million and an accumulated drop of 61.5% in the year.

Regarding share liquidity, the number of shares traded on the regulated market throughout the first nine months of the year amounted to 60.1 million, compared to 23.8 million in the same period of 2019.

Shareholding
2020.09.30

In the third quarter of the year, there was only one change in the structure of TUBACEX significant shareholders. On September 8, Dimensional Fund Advisors LP informed the Spanish Securities Exchange Commission (CNMV) of the loss of its significant shareholder condition as its participation dropped from 3.0% to 2.9%.

Therefore, as recorded in the CNMV, TUBACEX shareholder structure on Septermber 30, 2020 was as follows:



Source: CNMV (Spanish Securities Exchange Commission)

6 Key financial figures

Consolidated balance sheet
€M

	2020.09.30	2019.12.31	change %
Intangible assets	96.8	102.4	-5.5%
Tangible assets	295.2	308.1	-4.2%
Financial assets	89.4	80.5	11.1%
Non-current assets	**481.5**	**491.1**	**-2.0%**
Inventories	268.0	305.0	-12.1%
Receivables	67.4	89.0	-24.3%
Other account receivables	20.3	22.2	-8.7%
Other current assets	9.2	6.9	32.5%
Derivative financial instruments	1.2	2.2	-44.1%
Cash and equivalents	170.5	167.2	2.0%
Current assets	**536.6**	**592.5**	**-9.4%**
TOTAL ASSETS	**1,018.0**	**1,083.6**	**-6.1%**
Equity, Group Share	255.6	287.5	-11.1%
Minority interests	48.7	48.2	1.2%
Equity	**304.3**	**335.6**	**-9.3%**
Interest-bearing debt	261.4	166.6	56.9%
Derivative financial instruments	0.6	0.1	n.m.
Provisions and other	57.2	59.6	-4.2%
Non-current liabilities	**319.2**	**226.3**	**41.0%**
Interest-bearing debt	202.8	254.2	-20.2%
Derivative financial instruments	1.0	0.8	35.8%
Trade and other payables	120.3	206.8	-41.8%
Other current liabilities	70.4	59.9	17.4%
Current liabilities	**394.6**	**521.6**	**-24.4%**
TOTAL EQUITY AND LIABILITIES	**1,018.0**	**1,083.6**	**-6.1%**

n.m.: Not meaningful

Consolidated income statement
€M

	9M 2020	9M 2019	change %	Q3 2020	Q3 2019	change %
Sales	389.6	476.3	-18.2%	107.6	152.8	-29.6%
Change in inventories	(18.0)	2.3	n.m.	5.2	(3.9)	n.m.
Other income	10.2	8.1	26.9%	3.6	3.8	-5.4%
Cost of materials	(172.6)	(238.4)	-27.6%	(56.2)	(77.7)	-27.7%
Personnel expenses	(96.1)	(107.9)	-10.9%	(26.8)	(33.5)	-20.0%
Other operating costs	(86.7)	(94.3)	-8.1%	(26.7)	(28.5)	-6.3%
EBITDA	26.4	46.2	-42.9%	6.6	13.0	-49.1%
EBITDA Margin	*6.8%*	*9.7%*		*6.1%*	*8.5%*	
Amortization and depreciation	(33.7)	(28.4)	18.6%	(9.5)	(8.4)	13.2%
EBIT	(7.3)	17.8	n.m.	(3.0)	4.5	n.m.
EBIT Margin	*neg.*	*3.7%*		*neg.*	*3.0%*	
Financial Result	(9.8)	(8.4)	16.4%	(3.1)	(3.1)	1.6%
Exchange differences	(0.8)	0.3	n.m.	(0.4)	0.1	n.m.
Net Income, Group Share	(13.0)	7.2	n.m.	(4.7)	2.2	n.m.

n.m.: Not meaningful
neg.: Negative

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