TUBOS REUNIDOS GROUP

Special Products & Integral Services Worldwide

Management Report and Results for the third quarter and first nine months of 2019

Amurrio-Alava (Spain), 15 November 2019 – Tubos Reunidos today announced its results for the third quarter and for the first nine months of 2019, compared with the results for the same period in 2018 and the second quarter of 2019.

We must commence this management report by noting that, on 16 October, the Group signed financing contracts with all of its financial creditors (100% of its debt), as per the terms and conditions agreed upon in June.

Likewise, in addition to adherence to the agreement regarding 100% of its liabilities, on 11 November, Commercial Court no. 1 of Vitoria Gasteiz legally approved the refinancing agreements and contract.

This refinancing enables Tubos Reunidos to realign its debt structure to the new market environment that has arisen since the imposition of tariffs by the United States as of June 2018. With its new debt structure, Tubos Reunidos is able to avert €112 million in financial liabilities reaching maturity during the period 2018-2020, reducing its principal and interest commitments to €5.5 million and allowing the company the long-term financial flexibility to realign its activity to the new market realities.

Main Financial Figures of the Consolidated Group:

Consolidated, Million EUR	Q3 2019	Q2 2019	% change	Q3 2018	% change	9M 2019	9M 2018	% change
Net Sales	69,7	72,2	(4%)	82,4	(15%)	211,5	254,6	(17%)
EBITDA *	1,4	1,4	1%	3,2	(57%)	(2,1)	17,6	(112%)
% o. sales	*2,0%*	*1,9%*		*3,9%*		*(1,0%)*	*6,9%*	
EBIT	(3,5)	(5,4)	36%	(2,0)	(76%)	(20,9)	(11,6)	(80%)
Net income for the period	(4,2)	(8,9)	53%	(3,8)	(11%)	(26,4)	(15,7)	(68%)

* See calculation in Financial Statements

The net turnover amounted to €69.7 million in the third quarter 2019, for which the holiday period and the halt in production in August for facility maintenance must be taken into account, compared with €72.2 million in the previous quarter and €69.6 million in the first quarter.

The Group has realised a progressive improvement in EBITDA, which was positive by 1.4 million in the second and third quarter and exceeded the negative figure of €4.8 million in the first quarter. Also, losses amounting to €13.3 million in the first quarter were reduced to €8.9 million in the second and €4.2 million in the most recent quarter.

Analysis of the business development of the Group in 2019 is more important than comparing it with the same periods in the previous year given that, as we explained in the management report for the financial information in the first quarter, given the uncertainty generated by the foreseeable entry into force of section 232 and the imposition of tariffs on imports of seamless pipe to the United States, there was an upturn in activity by distributors during the first half of 2018, increasing their usual level of purchases. However, Tubos Reunidos Group has had to deal with a 25% tariff on products exported to that market ever since the application of these tariffs as of 1 June 2018.

Furthermore, the drop in petroleum prices in the second half of 2018 and its repercussions on the OCTG sector led to a drop in orders during the latter part of 2018, which affected the Group's activity during the first quarter of 2019.

The gradual improvement in the strategy developed to finalise a business model with less dependence on the US market, whilst maintaining the strategic importance of that market and exploiting our strengths in it, should be noted. In this way, the Tubos Reunidos Group is progressing positively towards its objective of geographic and customer diversification; the specific weight of the US market in invoicing for the first three quarters of 2019 is 36%, compared with 50% for the same period in 2018. The total portfolio of outstanding invoices also amounts to €117 million, 17% greater than in 2018, with orders of greater added value and with longer production lead time. The average price of the portfolio at the end of September is €1,872/tonne, 23% greater than the same period in the previous year.

1. Consolidated Sales by Geographical Markets and Business Sectors

The net turnover stood at €211.5 million in the first nine months of 2019, representing a reduction of 17% compared with the same period in the previous year, although the two periods are not comparable due to the market distortion caused by the entry in force of US tariffs in the middle of 2018. Pipe sales, which amounted to €197.0 million, were down by 18% compared with sales in the previous year.

The Group is increasing prices on an average of 6% in order to mitigate the effect of the reduction in tons sold compared with the previous year, caused, primarily, by the effect of the tariffs, lower OCTG activity in North America and lower volume in the mechanical sector, increasing them from €1,459/tonne in 2018 to €1,543/tonne in 2019. This average price increase was achieved due to the strategy to attract orders in the midstream and downstream sectors, orders with greater added value and higher margins. As indicated above, the average price for the portfolio on 30 September amounted to €1,872/tonne.

By geographic markets, the midstream and downstream orders in markets like the Far East and Europe are allowing the Group to compensate in part for the drop in the entire OCTG market in the USA.

TUBOS REUNIDOS GROUP

Special Products & Integral Services Worldwide

Revenue by geography and sector, in thousands of euros	Q3 2019	Q2 2019	Change, %	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Domestic	6.926	8.165	-15%	5.970	37%	21.718	22.413	-3%
Rest of Europe	15.828	22.475	-30%	17.782	26%	57.470	51.694	11%
North America	23.257	22.055	5%	43.020	-49%	70.999	119.590	-41%
East Asia	17.068	11.884	44%	5.893	102%	33.347	21.449	55%
MENA	1.892	4.780	-60%	484	888%	9.940	17.231	-42%
Others	536	1.919	-72%	7.421	-74%	3.570	9.173	-61%
Refinning&petrochemical and Power generation	27.672	24.772	12%	20.079	23%	69.741	60.986	14%
Oil&Gas - OCTG	21.938	23.737	-8%	33.499	-29%	64.207	100.061	-36%
Oil&Gas - linepipes	7.851	12.043	-35%	16.793	-28%	32.242	44.625	-28%
Construction, mechanical, industrial	8.047	10.726	-25%	10.199	5%	30.854	35.879	-14%
Total Group	**65.508**	**71.278**	-8%	**80.570**	-12%	**197.044**	**241.550**	-18%
Sales volume (tons)	**42.740**	**46.538**	-8%	**47.491**	-10%	**127.673**	**165.522**	-23%

Sales by geographic area of requesting customer and not by destination

Sales for the third quarter of 2019, which were affected by the lower activity in production plants due to maintenance performed in August to take advantage of the vacation period as noted at the beginning of the report, amounted to €65.5 million.

The pipeline (midstream) segment met all the projections for project contracting outside of the USA, thanks to good performance in the Middle Eastern and North African markets.

2.- Analysis of consolidated results

The Group has consolidated its line of improvement planned for 2019 through contracting orders with greater added value. The EBITDA for the Group in the third quarter amounted to €1.4 million, continuing the levels reached in the second quarter of the year, despite the effects of seasonality in production for maintenance in the vacation period and significantly improving the €4.8 million in negative EBITDA for the first quarter. However, the EBITDA margin continues to suffer from the effect of the tariff on sales to the United States.

Likewise, losses in this most recent quarter dropped to €4.2 million compared with €13.3 million in the first quarter and €8.9 million in the second, a period which has seen a positive development in the dollar exchange rate.

As a result, the cumulative EBITDA[1] for the first nine months of 2019 amounted to a negative €2.1 million, a decrease of €19.7 million over the EBITDA for the same period in 2018 and result of €26.4 million in losses, compared with €15.7 million in 2018, although the two periods are hardly comparable, due to the reasons and factors cited above.

3.- Financial situation

As was cited as a Significant Event on 17 October 2019, the Group signed financing contracts with all of its financial creditors on 16 October, as per the terms and conditions agreed upon and cited as a Significant Event on 25 June 2019. The financial creditors signing the financing contracts represent 100% of the financial debt of the Group.

[1] *EBITDA calculated as the operating income plus the amortisation expense and impairment.*

Also, and in addition to adherence to the agreement regarding 100% of its liabilities, on 11 November, Commercial Court no. 1 of Vitoria Gasteiz legally approved the refinancing agreements and contract.

This refinancing agreement enables the Tubos Reunidos Group to rationalise its debt and have greater flexibility in its financial commitments, adapted to the reality of the market, which contributes to achieving the objectives of its business plan within the current market needs. The agreement facilitates the sustainability and stability of Tubos Reunidos Group in the short and medium term in an uncertain market scenario caused by the imposition of tariffs on imported European steel products in the United States. The new financing structure enables the geographic and client diversification strategy to move forwards and to reduce the historic exposure of the weight of the North American market. Furthermore, it also improves the value recovery expectation of Tubos Reunidos Group by obtaining the necessary flexibility of its financing resources and thus continuing with the improvement and efficiency measures in the actions it is developing.

In the first nine months of the year, the operating cash flow[2] reached a negative amount of €6.4 million, as a result of the lower level of activity and margins in the period. The measures adopted by the Group to attract greater added value orders have generated working capital investment needs of €7.8 million in the year. This investment is focused primarily on the inventory level of the Group, as these orders are affected by a longer production lead time.

Net inversion of capital for the period involved a negative cash flow during the first nine months of the year of €0.2 million. Settlement of payments for investment projects from 2012 to 2017 in previous years has contributed to payments for investments made in the year, amounting to only €1.8 million, which has been offset by divestments in property assets not affected by business amounting to €1.6 million.

In this way, the free cash flow[3] obtained in the period amounted to minus €14.4 million. The net financial debt[4] as at 30 September 2019 amounted to €233.4 million.

4.- Outlook

Tubos Reunidos continues to maintain good ordering prospects for the midstream segment during the initial two quarters of 2020. The special products required adapt perfectly to our manufacturing methods, due to investments made of the last few years.

Contracting in the Power Generation, Petrochemical and Refining (Downstream) segments, sectors that have seen excellent order placement in the first half of the year, have slowed down in the third quarter, following the normal market cycle and affected by the delay in decision

---

[2] *Operating cash flow is calculated as the cash flow from operations before investment/divestment of working capital.*

[3] *Free cash flow is calculated as the operating cash flow plus cash flow due to the working capital variation plus the cash flow of net capital investments*

[4] *Net financial debt calculated as external resources (not counting loans with related entities) minus other current financial assets, derivative financial instruments and cash and other equivalent liquid resources.*

making resulting from macroeconomic uncertainty. Nevertheless, a recovery is expected in the last quarter of the year, with good prospects for 2020.

Asia and the Middle East remain the most active geographic areas, markets in which the Tubos Reunidos Group continues to strengthen its commercial presence. In this regard, the opening of our own sales office in Seoul this quarter, after many years of presence in the area, is noteworthy.

The result of all this is that uncertainty is centred primarily on the OCTG market in the USA. Data on drilling activity in the USA during the third quarter showed a decrease in production, accompanied by a drop in market prices, with operators focusing on return to investors and monitoring of approved budgets in relation to production increases. Furthermore, reduction in inventories for end customer and distributions typically increases at the end of the year, making it impossible to foresee a clear recovery over the short term.

Given the circumstances, the rhythm of new orders from the United States has slowed down - we believe temporarily - with the concomitant need to adopt temporary flexibility measures to accommodate productive activity.

Consequently, although uncertainty remains regarding the effect and duration of the current environment, we expect a progressive normalisation in activity in the United States in OCTG and we will continue our commercial strategy of strengthening and diversifying our sales portfolio in other sectors and markets, which has been successful during this year.

Tubos Reunidos is maintaining its focus on adopting such flexibility measures as required to deal with the circumstances as well as the Transforma|360º Plan, along with taking advantage of the new financing structure agreed upon with the banks to guarantee future profitability for its shareholders, financial creditors, customers, suppliers, employees and other interest groups.

Special Products & Integral Services Worldwide

Financial Statements

INCOME STATEMENT, Thousands of Euros	Q3 2019	Q3 2018	Q3 2019 vs. Q3 2018	9M 2019	9M 2018	9M 2019 vs. 9M 2018
Net sales	**69.685**	**82.383**	*(15,4%)*	**211.549**	**254.585**	*(16,9%)*
Changes in inventory	(8.431)	(15.480)	*45,5%*	3.292	861	*282,3%*
Supplies	(24.474)	(34.144)	*28,3%*	(96.012)	(114.083)	*15,8%*
Labor costs	(17.148)	(17.209)	*0,4%*	(65.460)	(64.980)	*(0,7%)*
Other operating expenses	(19.086)	(13.107)	*(45,6%)*	(58.306)	(63.641)	*8,4%*
Other operating income and net gains/(losses)	815	750	*8,7%*	2.831	4.819	*(41,3%)*
EBITDA	**1.361**	**3.193**	***(57,4%)***	**(2.106)**	**17.561**	***(112,0%)***
Amortisation charge	(4.869)	(5.189)	*6,2%*	(18.392)	(19.666)	*6,5%*
Depreciation	-	-	--	(440)	(9.529)	*95,4%*
EBIT	**(3.508)**	**(1.996)**	***(75,8%)***	**(20.938)**	**(11.634)**	***(80,0%)***
Financial income/(expense)	(1.025)	(2.359)	*56,5%*	(6.865)	(7.392)	*7,1%*
Profit before income tax	**(4.533)**	**(4.355)**	***(4,1%)***	**(27.803)**	**(19.026)**	***(46,1%)***
Profits tax	4	204	*(98,0%)*	175	2.160	*(91,9%)*
Consolidated profit for the period	**(4.529)**	**(4.151)**	***(9,1%)***	**(27.628)**	**(16.866)**	***(63,8%)***
Profit from non continuing operations	-	-	--	-	-	--
Consolidated profit for the period	**(4.529)**	**(4.151)**	***(9,1%)***	**(27.628)**	**(16.866)**	***(63,8%)***
Profit from minority interests	347	377	*(8,0%)*	1.260	1.171	*7,6%*
Profit for the period	**(4.182)**	**(3.774)**	***(10,8%)***	**(26.368)**	**(15.695)**	***(68,0%)***

Special Products & Integral Services Worldwide

BALANCE SHEET, Thousands of Euros	3Q 2019	FY 2018
NON-CURRENT ASSETS	**348.962**	**359.716**
Inventories and customers	135.379	127.658
Cash and other cash equivalents	18.716	40.010
CURRENT ASSETS	**154.095**	**167.668**
Assets held for sale	--	--
TOTAL ASSETS	**503.057**	**527.384**
NET EQUITY	**82.525**	**105.121**
DEFERRED REVENUES	**4.257**	**4.599**
Non-current provisions	1.631	1.952
Bank borrowings and other financial liabilities	152.474	168.351
Fixed income securities	15.252	15.195
Other non-current liabilities	45.590	46.136
NON-CURRENT LIABILITIES	**214.947**	**231.634**
Short-term provisions	3.363	5.690
Bank borrowings and other financial liabilities	84.392	74.797
Other current liabilities	113.573	105.543
CURRENT LIABILITIES	**201.328**	**186.030**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**503.057**	**527.384**
Net financial debt *	**233.402**	**218.333**

* Calculated as the Bank borrowings + Fixed income securities - Cash and other cash equivalents

Cash Flow, Millions of Euros	3Q 2019	3Q 2018	9M 2019	9M 2018
Result before Taxes	**-4,5**	**-4,3**	**-27,8**	**-19,0**
- Amortisation	4,9	5,2	18,8	29,2
- Other Adjustments	-1,3	-1,2	2,6	2,2
CASH FLOW FROM OPERATING ACTIVITIES	**-0,9**	**-0,3**	**-6,3**	**12,4**
- Change in Working Capital	-3,4	2,6	-7,8	-16,5
(increase)/decrease of inventories	-1,9	18,7	-11,0	0,7
(increase)/decrease of account receivables	2,3	4,7	3,6	-12,7
(increase)/decrease of account payables	-3,7	-20,8	-0,5	-4,5
- Investments Activities	-1,2	-1,2	-0,2	0,3
Investments	-1,2	-1,4	-1,8	-10,2
Withdrawals	0,0	0,2	1,6	10,5
FREE CASH FLOW	**-5,6**	**1,1**	**-14,4**	**-3,8**

Special Products & Integral Services Worldwide

Information and Forward-Looking Statements

The financial and operating information included in this report for the first nine months of 2019 is based on consolidated financial statements, on which the Company's auditor has issued its Limited Review Report, which has been duly sent to the CNMV. The financial and operational information included in this notice for the third quarter of 2019 is based on unaudited consolidated financial statements. This document has been prepared by TUBOS REUNIDOS, S.A., which distributes it exclusively for information purposes. This document contains forward-looking statements and includes information regarding our current intent, belief or expectations regarding future trends and events that could affect our financial condition, the results of operations or the value of our shares. These forward-looking statements are not guarantees of future performance and they entail risks and uncertainties. Therefore, actual results may differ significantly from the forward-looking statements, as a result of various factors, risks and uncertainties, such as economic, competitive, regulatory or commercial factors.

Both the information and conclusions contained herein are subject to change without prior notice. TUBOS REUNIDOS, S.A. undertakes no obligation to publicly update or revise forward-looking statements, be it as a result of new information, future events or otherwise. The results and developments indicated could differ significantly from those stated in this document.