Special Products & Integral Services Worldwide

Management report and results for the second and third quarter of 2020

Amurrio-Alava, 29 October 2020 — Tubos Reunidos today announces its results for the second and third quarters of 2020, compared to the results for the same period in 2019 and the first quarter of 2020.

The global COVID-19 pandemic is causing multiple projects to be delayed in the Group's global chain of key sectors, such as Oil&Gas, Energy and Industry, as well as collapsing demand and, consequently, the slowdown and reduction of commercial activity. The drastic cut in maintenance budgets in the aforementioned sectors are having a significant impact on activity and therefore on incoming orders in the last few months, with declines of around 50%.

The strategy of geographical, sector and product diversification, reduced exposure to the US market and significant industrial and commercial efforts, aspects on which the Group has been working since 2018, was reflected in a significant increase in orders in the last quarter of 2019. This led to the start of 2020 with a 46% portfolio increase compared to the beginning of the previous year and a 'mix' focused on high value-added products and the Midstream and Downstream sectors. As a result, until the pandemic outbreak, business performance in the first months of 2020 was satisfactory in line with the forecasts and with a markedly better performance than the previous year in both sales and operating results. However, the dynamics brought on by COVID-19 have nullified the Group's good start to the year, impacting the entire second quarter of 2020, and they will undoubtedly continue to affect both the second half of the year and the first half of 2021, which is expected to be very difficult as well.

In this context of uncertainty and health crisis, the Group's Management and the Board of Directors of the parent company have already taken the necessary measures to adapt to the crisis since its outset, both in a commitment to the safety of our workers and also in the economic sphere. With regard to the latter, the focus is mainly on measures to contain costs, fixed and temporary employment adjustments, wage reductions, and negotiating new sources of funding, in order to strengthen and protect our liquidity position.

The situation caused by the pandemic is also affecting the Group's expected temporary cash generation rate in 2020. In this respect, in May 2020, extraordinary funding of €15 million was finalised, partly guaranteed by the State guarantee line managed by the Instituto de Crédito Oficial (ICO), as well as the novation of the restructuring framework agreement signed at the end of 2019. Thus, certain provisions of the agreement were adapted, such as postponing the obligation to comply with the financial rates until December 2021, establishing different repayment schedules and extending the previously established grace period to December 2021 by one year and approving and extending the guarantees to secured liabilities.

In any case, the Group's business context is far from normal due to COVID-19 and requires great caution. The overall economic framework is complex, and the new restrictions in effect to contain the pandemic are expected to increase the level of uncertainty about the normalisation process. Aware of this, the Group's Management is currently working on adapting the Strategic Plan, focusing on two distinct phases:

1. A first phase covering the second half of 2020 and the 2021 financial year, called *'Focus on cash'*, in which the Group will continue to preserve liquid assets, which means continuing to strongly influence the management guidelines mentioned above: cost containment measures, fixed and temporary employment adjustments, as well as negotiating new sources of funding, in order to be able to implement our Strategic Plan.

2. A second phase covering the period of 2022–2024, called '*Focus on Value',* a period in which we estimate that global energy and electricity needs will increase, with the effects of the pandemic overcome or at least largely mitigated by this time. This would be driven by a return to pre-COVID-19 demand, global population growth, and a higher level of development in emerging countries, especially in Asia. In addition, the reduced carbon footprint promoted by governments in almost all countries around the world will accelerate the advancement of renewable energies such as nuclear, offshore wind, geothermal, green hydrogen/eFuels, biomass, incinerators and solar thermal. Meanwhile, increased natural gas consumption for combined cycle plants that work at higher temperatures (more environmentally efficient) and in hybrid plants (gas-renewable sources) will continue to progressively displace coal and other heavier fossil fuels in the electricity mix. We believe that this will therefore boost the demand for seamless steel tubing in higher grades and therefore higher-value steels, thus reinforcing the logic of our sector and market diversification strategy and, in turn, enabling us to significantly reduce dependence on the American market, penalised by tariff rates, and on the evolution of oil prices.

The Group's priorities throughout this period, while always considering aspects related to worker health and safety, will be team training and development, digitising our processes, developing new products (both dimensionally and with the addition of grades of more alloyed and stainless steels), and a business strategy aimed at increasing our sales mix in all sectors with more value-added products.

TUBOS REUNIDOS GROUP

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Main Financial Figures, Consolidated Group

Consolidated, Million EUR	Q3 2020	Q2 2020	Q3 2020	9M 2020	9M 2019	% change
Net Sales	55,8	57,0	77,1	189,9	211,5	(10%)
EBITDA *	(1,7)	(2,9)	0,7	(4,0)	(2,1)	(88%)
% o. sales	*(3,1%)*	*(5,1%)*	*0,9%*	*(2,1%)*	*(1,0%)*	
EBIT	(6,1)	(92,1)	(5,3)	(103,5)	(20,9)	(394%)
EBIT adjusted (not including asset impairment)	(6,1)	(9,1)	(10,4)	(20,5)	(20,5)	(0%)
Net income for the period	(13,6)	(35,3)	(10,4)	(59,3)	(26,4)	(125%)

* See calculation in Financial Statements

The Group's activity and its second and third quarter results are influenced by the international COVID-19 health crisis. So far, the second quarter's production activity has been the most affected by the health crisis. The measures to cease activity imposed by the Spanish Government in March temporarily stopped the activity of the production plants in Spain, in order to eliminate the risk of contagion to the workforce. This is apparent in the amount of turnover in the second quarter, similar to that in the third quarter, which is traditionally the lowest production quarter influenced by the plant shutdown in August for maintenance.

The consolidated amount of net turnover for the second quarter of the year was €57 million and in the third quarter it was €55.8 million, while the first quarter of 2020 was €77.1 million. Revenue in the third quarter of the year amounted to €189.9 million, down 10% on the figure for the same period in 2019.

We are confident that the most severe impact of the health crisis will be reflected in the last quarter of 2020 and the first half of 2021 due to the reduced number of incoming orders caused by delays for multiple projects in the Group's global chain of key sectors, such as Oil&Gas or Energy and Industry, as a result of the pandemic. For the first nine months of 2020, activity at Tubos Reunidos was a reflection of the professional portfolio available to the Group prior to the pandemic's onset, a portfolio obtained based on the strategy of market and product diversification.

1. Consolidated sales by geographical markets and business sectors and business evolution

Thanks to the strategy implemented by the Group since 2018 to maximise order acquisition in the Midstream and Downstream sectors (higher value-added orders and margin), increased activity in these sectors has mitigated the reduced volume due to tariffs in North America, as well as the drop in oil prices, and consequently less activity in OCTG (Upstream Sector) in the the Company's main market over the last few years.

The Downstream sector differentiated itself in 2020 as the main business driver, accounting for 47% of total pipeline sales for this year, compared to 35% in 2019. The same is true for the Midstream sector, which constituted 21% of sales this year, compared to 16% last year, even outperforming the Upstream sector (OCTG), which accounts for 19% of sales in 2020, compared to 33% in 2019. This only reinforces the logic of the Group's strategy for order acquisition in these sectors, as a result of our capability and flexibility to manufacture different types of products in our plants, to grow in all market sectors with high value-added products. The Company hopes to continue to see successful operations in these markets and sectors once market activity overcomes the current impasse of new projects being awarded due to COVID-19.

The above is also reflected in our increased activity in the markets of Europe, the Far East and the Middle East and Africa. In these markets, progress has continued through allocating resources to deepen business activity, including countries that had been marginal for the Company in the past. This has enabled the Company to better position itself in these markets, while the Group's turnover in the United States in the period was reduced to 25%, compared to 39% in the same period last year.

Revenue by geography and sector, in thousands of euros	Q3 2020	Q2 2020	Q1 2020	9M 2020	9M 2019	Change, %
Domestic	6.006	7.929	7.129	21.064	21.718	-3%
Rest of Europe	24.659	17.406	21.095	63.160	57.470	10%
North America	9.962	14.721	19.201	43.884	70.999	-38%
East Asia	7.052	8.087	16.761	31.900	33.347	-4%
MENA	4.789	2.806	7.604	15.199	9.940	53%
Others	1.161	615	1.521	3.297	3.570	-8%
Refinning&petrochemical and Power generation (Downstream)	24.305	27.039	31.808	83.152	69.741	19%
Oil&Gas - OCTG (Upstream)	6.644	9.542	17.850	34.036	64.207	-47%
Oil&Gas - Linepipes (Midstream)	14.535	8.422	13.718	36.675	32.242	14%
Construction, mechanical, industrial	8.145	6.561	9.935	24.641	30.854	-20%
Total Group	**53.629**	**51.564**	**73.311**	**178.504**	**197.044**	-9%
Sales volume (tons)	**32.145**	**32.834**	**45.790**	**110.769**	**127.673**	-13%

Sales by geographic area of requesting customer and not by destination

2. Analysis of consolidated results

The EBITDA[1] obtained by the Group in the second and third quarter of 2020 amounted to minus €2.9 million and €1.7 million respectively, compared to plus €0.7 million in the first quarter. As we already mentioned, the second quarter is, to date, the period where the effects of the pandemic have been felt most severely, causing a greater impact on the drop in sales and the results obtained.

However, we emphasise that the margin improvement of increased activity on higher value-added orders has positively contributed to mitigating the impact of the drop in activity due to the health crisis. In this way, the Group's accumulated operating results (EBIT) for the third quarter of 2020, without considering the impairment loss in immobilised assets, which

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

amounted to minus €20.5 million, were essentially the same as those obtained in the same period the previous year, despite a 10% drop in sales. In view of the COVID-19 pandemic outbreak and its impact on the Group, Management prepared a prescriptive analysis of the impairment loss of its assets. To that effect, the aforementioned update to the Strategic Plan was used as a reference. As a result, an amount of €83 million was recorded in the income statement for the second quarter of the year.

The financial result accumulated over the first nine months of the year amounts to €44.3 million. This includes, first, financial costs associated with funding, as well as the impact of exchange differences totalling €19.9 million, of which €12.5 million will not involve a cash outflow in the current year and, second, €64.2 million in revenue for the fair value of the derivative associated with the conversion option under the refinancing contract. Consequently, the negative result attributable to the Group accumulated over the first nine months of 2020 amounts to €59.3 million.

3. Financial situation

The main directive from the Board of Directors and the Group's Management Team in 2020 and the beginning of next year is to protect cash, in response to the uncertain current market situation. We are seeing a general increase in liquidity pressures in the international economy, which is still very difficult to quantify at present.

Following this directive, during the first quarter of 2020, the Group formalised new extraordinary funding, partially guaranteed by the ICO, amounting to €15 million with top-tier financial institutions. At the same time, a novation of the framework agreement on refinancing at the end of 2019 was signed, thereby adapting certain provisions thereof, such as extending the interest only repayment period by an additional 12 months; the waiver of compliance with certain financial ratios for this financial year; and the ratification and extension of guarantees to secured liabilities.

The Group must be prepared and trained to successfully deal with executing its Business Plan beginning in 2022. To do so, it is negotiating new funding avenues to strengthen and protect our liquidity position.

4. Outlook

The persistence of the COVID-19 pandemic has removed the possibility of economic recovery in the short-term and means that the reality is likely to be a gradual exit from this situation in 2021, along with a slow and progressive improvement in the economic outlook as the actions taken to contain the virus are lifted. In any case, the words uncertainty and volatility best define both the current situation and any projection on the duration of the pandemic and the effects it will have, both socially and economically.

Prior to the crisis, energy demand growth projections were 19% between 2019 and 2030. Today, however, the tighter scenarios lead us to growth of between 4% and 9% depending on the speed at which the crisis is overcome. The pandemic is causing more disruptions in the energy sector than any other event in recent history.

With a negative trend in energy demand in the more advanced economies, this growth will focus on developing economies, led by India.

This smaller growth in global energy demand will put more downward pressure on oil and gas prices in the short term compared to pre-crisis positions, although the large investment cut in 2020 and geopolitical tensions also increase the chances of volatility in this market.

The Upstream sector (OCTG), pipes for oil and gas drilling, is currently experiencing a demand crisis as a result of the pandemic. Within this sector, the Shale segment in the United States is the most affected. The number of active oil and gas drilling rigs is a driver that marks the evolution of demand for seamless steel tubing in this market. Although it has risen slightly from its lowest historical point in May 2020, it remains at very weak levels due to the difficulty of making the hydraulic fracture technique profitable at current market prices for both oil and natural gas.

For the aforementioned reasons, the slowdown in decisions, along with a reduction in stocks in the distribution chain, is only palpable in the Midstream and Industrial sectors when those urgent projects are undertaken.

Although no projects are cancelled in electrical energy generation, petrochemicals and refineries (Downstream), a sector in which we obtained outstanding incoming orders in 2019, the slowdown in decisions resulting from uncertainty and volatility will also be a constant for the duration of the current situation and certainly during the first half of 2021.

Given the sharp cut in global investments made throughout 2020, we do expect a progressive increase in demand in that Downstream sector in 2021 given the unavoidable maintenance needs of refineries, chemical and petrochemical plants, and the industry in general.

On the other hand, the government funding policies being implemented around the world to help overcome this crisis by incentivising innovation and accelerating the transition to cleaner energy bring us closer to a whole series of opportunities in new products and businesses that until now were only in their beginnings in our portfolio and will be an important part of it in the coming years.

The reduced carbon footprint promoted by governments in almost all countries around the world will accelerate the advancement of renewable energies such as nuclear, offshore wind, geothermal, green hydrogen/eFuels, biomass, incinerators and solar thermal. It will also promote increased natural gas consumption for new combined cycle plants that work at higher temperatures (more environmentally efficient) and in hybrid plants (gas-renewable sources), to the detriment of coal.

We are facing a sustainable energy transformation, an unstoppable evolution based on an ***Eco-Downstream*** in the energy sector, where achieving zero net emissions is more than a goal; it is an obligation to society and ourselves.

Our ***Eco-Downstream Innovation*** strategy is a commitment to differentiate niche products with high added value that require technical capacity, industrial experience, know-how, flexibility, quality and differentiating innovation for our clients with a recommended and prestigious brand, offering them agile and reliable service.

Asia and the Middle East remain the most active geographical areas; markets in which the Tubos Reunidos Group continues to focus its efforts and strengthen its commercial presence. In the first quarter of 2021, we will open the Malaysian delegation in order to increase our presence in one of the fastest growing regions.

As of this notice's publication, the Group's expectations for the remainder of 2020 and the first half of 2021 are for a very low level of incoming orders. This will be reflected in a greater reduction in sales and margins than those recorded in the second and third quarters of 2020, once most of the excellent portfolio from the beginning of the year has been used, to improve progressively in the second half of 2021 as the uncertainty created by the pandemic dissipates.

We reiterate that the Group's highest priority at this time is to protect cash, using this time to implement organisational and business measures resulting from reviewing and updating the Strategic Plan, a consequence of both the current crisis and the persistence of steel tariffs in the United States and the disruption in value chains caused by the United States-China trade war.

In this context, the Tubos Reunidos Group is taking the necessary preventative measures to ensure the health of all workers in daily operations, to respond to customer requirements by fulfilling all contracts and adapting productive capacities to demand, ensuring the financial stability of the Company.

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Financial statements

INCOME STATEMENT, Thousands of Euros	Q3 2020	Q2 2020	Q1 2020	9M 2020	9M 2019	9M 2020 vs. 9M 2019
Net sales	**55.801**	**57.025**	**77.107**	**189.933**	**211.549**	*(10,2%)*
Changes in inventory	(9.147)	480	(8.141)	(16.808)	3.292	*(610,6%)*
Supplies	(18.241)	(26.798)	(26.621)	(71.660)	(96.012)	*25,4%*
Labor costs	(15.551)	(18.659)	(24.183)	(58.393)	(65.460)	*10,8%*
Other operating expenses	(14.669)	(15.469)	(17.990)	(48.128)	(58.306)	*17,5%*
Other operating income and net gains/(losses)	65	532	507	1.104	2.831	*(61,0%)*
EBITDA	**(1.742)**	**(2.889)**	**679**	**(3.952)**	**(2.106)**	***(87,7%)***
Amortisation charge	(4.399)	(6.176)	(5.973)	(16.548)	(18.392)	*10,0%*
Depreciation	-	(83.000)	-	(83.000)	(440)	*(18763,6%)*
EBIT	**(6.141)**	**(92.065)**	**(5.294)**	**(103.500)**	**(20.938)**	***(394,3%)***
EBIT adjusted (not including asset impairment)	**(6.141)**	**(9.065)**	**(5.294)**	**(20.500)**	**(20.498)**	***(0,0%)***
Financial income/(expense)	(7.471)	56.858	(5.135)	44.252	(6.865)	*744,6%*
Profit before income tax	**(13.612)**	**(35.207)**	**(10.429)**	**(59.248)**	**(27.803)**	***(113,1%)***
Profits tax	8	(77)	(57)	(126)	175	*(172,0%)*
Consolidated profit for the period	**(13.604)**	**(35.284)**	**(10.486)**	**(59.374)**	**(27.628)**	*(114,9%)*
Profit from non continuing operations	-	-	-	-	-	--
Consolidated profit for the period	**(13.604)**	**(35.284)**	**(10.486)**	**(59.374)**	**(27.628)**	*(114,9%)*
Profit from minority interests	13	14	76	103	1.260	*(91,8%)*
Profit for the period	**(13.591)**	**(35.270)**	**(10.410)**	**(59.271)**	**(26.368)**	***(124,8%)***

BALANCE SHEET, Thousands of Euros	Q3 2020	Q2 2020	FY 2019
NON-CURRENT ASSETS	**284.201**	**288.850**	**319.630**
Inventories and customers	94.572	113.662	119.794
Cash and other cash equivalents	21.761	28.458	21.068
CURRENT ASSETS	**116.333**	**142.120**	**140.862**
Assets held for sale	--	--	--
TOTAL ASSETS	**400.534**	**430.970**	**460.492**
NET EQUITY	**9.233**	**23.140**	**68.503**
DEFERRED REVENUES	**838**	**840**	**870**
Non-current provisions	1.220	1.058	1.053
Bank borrowings and other financial liabilities	241.255	237.096	211.642
Fixed income securities	17.115	16.843	16.149
Other non-current liabilities	36.438	38.233	39.025
NON-CURRENT LIABILITIES	**296.028**	**293.230**	**267.869**
Short-term provisions	4.727	5.736	6.260
Bank borrowings and other financial liabilities	2.405	1.888	28.462
Other current liabilities	87.303	106.136	88.528
CURRENT LIABILITIES	**94.435**	**113.760**	**123.250**
Liabilities held for sale	--	--	--
TOTAL LIABILITIES	**400.534**	**430.970**	**460.492**

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Cash Flow, Millions of Euros	3Q 2020	2Q 2020	1Q 2020	9M 2019	9M 2018
Result before Taxes	**-13,6**	**-35,2**	**-10,4**	**-59,2**	**-27,8**
- Amortisation	4,4	89,2	6,0	99,5	18,8
- Other Adjustments	7,0	-61,3	5,0	-49,2	2,6
CASH FLOW FROM OPERATING ACTIVITIES	**-2,2**	**-7,3**	**0,6**	**-8,9**	**-6,3**
- Change in Working Capital	-4,5	2,4	23,7	21,6	-7,8
(increase)/decrease of inventories	12,4	6,4	3,6	22,5	-11,0
(increase)/decrease of account receivables	3,1	-7,8	5,7	1,0	3,6
(increase)/decrease of account payables	-19,9	3,7	14,4	-1,8	-0,5
- Investments Activities	-1,1	-0,3	-1,1	-2,5	-0,2
Investments	-1,1	-0,3	-1,1	-2,5	-1,8
Withdrawals	0,0	0,0	0,0	0,0	1,6
FREE CASH FLOW	**-7,7**	**-5,3**	**23,1**	**10,1**	**-14,4**

Information and forward-looking statements

The financial and operational information included in this notice regarding the period of nine months of 2020 is based on 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 about 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, whether as a result of new information, future events or otherwise. The results and developments indicated could differ significantly from those indicated in this document.