

Earnings Release

1ST QUARTER
2021



The first months of 2021 have been a challenge for TUBACEX. The significant drop in orders experienced in 2020 led us to start the year with a very low backlog, which has resulted in reduced levels of activity at all of our plants. However, thanks to efforts made in recent months in terms of cost reduction, with annual savings of more than €30 million, and increased efficiency and diversification of products, we have been able to manage a complicated environment with an EBITDA that is on the positive side of break-even.

From the point of view of result generation, we believe that we have passed the lowest point. Our production units are gradually increasing their levels of activity and should slowly get back to normality between the second and third quarter of the year. The only exception is the Spanish plants, which are currently on strike. However, we hope that this situation will be resolved in the short term. Therefore, we foresee a second quarter similar to that of the first term, but a second half of the year in which the recovery of production activity together with a certain reactivation of the market will allow achieving results similar to those of 2020.

In parallel, we will continue to move forward in our positioning as a key player in energy transition. The energy market is evolving and leading to structural changes in our business. However, we have the opportunity to play a key role in this transition towards cleaner energy. Regardless of their origin, all power generation, transport or storage processes require materials that are highly resistant to temperature, corrosion and pressure. This is where we will continue to play a decisive role, thanks to our firm commitment to R&D and our experience and knowledge of the most advanced materials.

Jesús Esmorís
CEO



1 Key financial figures

Sales for the first quarter of 2021 have amounted to €86.5M and the EBITDA stands at €0.1M, a far cry from the figures obtained in the first quarter of 2020.

The low backlog with which the Group started the year following a 2020 with an extremely low order intake, as a result of the global pandemic, has led to low levels of activity in all of the Group's divisions, added to which are the strikes and stoppages that have been called at Spanish production plants since the beginning of February.

Financial figures

€M	1Q 2021	1Q 2020	change %
Sales	86.5	153.7	-43.7%
EBITDA	0.1	12.4	-99.4%
EBITDA margin	0.1%	8.1%	
EBIT	(12.6)	0.4	n.m.
EBIT margin	neg.	0.3%	
Profit before taxes	(15.7)	(2.9)	n.m.
Margin	neg.	neg.	

	2021.03.31	2020.12.31
Equity Attributable to the Parent	226.9	240.9
Equity / Net Financial Debt	73.1%	80.8%
Working Capital	197.4	206.8
Working Capital / Sales	47.9%	43.1%
Structural Net Financial Debt ⁽¹⁾	113.0	91.4
Total Net Financial Debt	310.4	298.1
NFD/ EBITDA	12.0x	7.8x

neg.: negative

n.m.: not meaningful

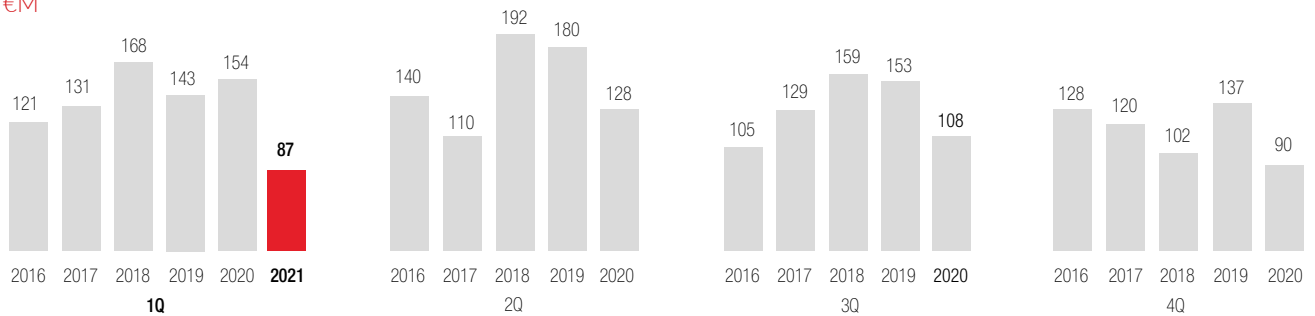
(1) Total Net Financial Debt - Working Capital

As far as the Balance Sheet is concerned, the working capital has been reduced by €9.4M in the quarter, adapting, as expected, to the lower level of activity. In spite of this reduction in working capital, the financial debt figure has increased by €12.3M as a result of the two extraordinary events that have occurred during the quarter. On one hand, the cash outflow related to compensation as a result of the restructuring plan. On the other hand, the acquisition of the minority stake that the Group did not hold in Tubacex Prakash has been completed.

Therefore, the net financial debt stands at €310.4M at the close of the first quarter of the year, which, combined with the extremely low EBITDA due to the current circumstances has led to the debt ratio standing at 12x. It is necessary to remember the successful financial restructuring plan implemented by TUBACEX in 2020, which focused on extending the debt maturity and the strong cash position. Proof of this is that the Group maintains a cash position of €189.6M and liquidity in excess of €265M, which guarantees the soundness of the Balance Sheet and covers the maturity of loans until 2025.

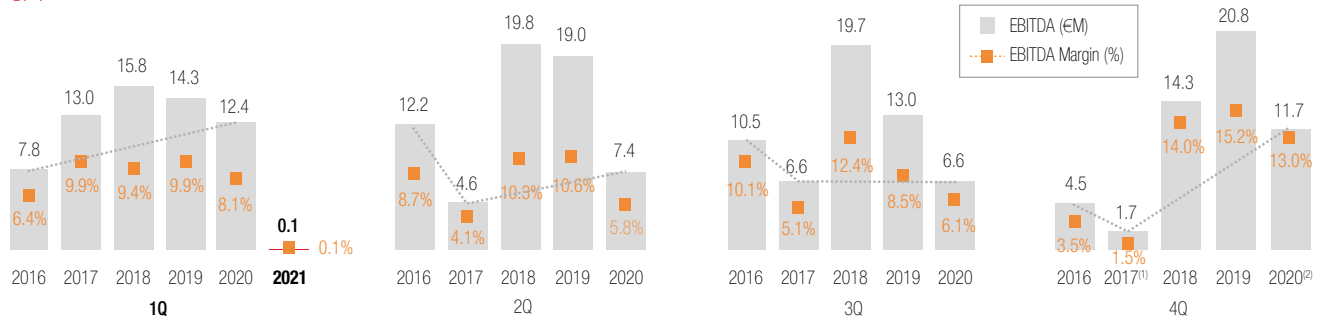
Quarterly evolution of the sales figure

€M



Quarterly evolution of the EBITDA figure

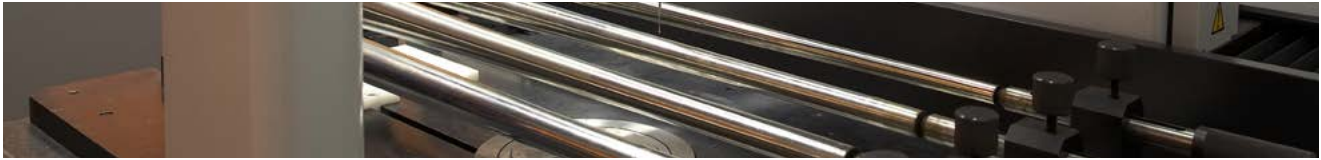
€M



(1) 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 was moved to India

(2) EBITDA for the last quarter of 2020 includes extraordinary adjustments without cash impact





• 2 Business evolution

The current market environment is still heavily marked by the evolution of the global pandemic and invoicing for the first quarter has been conditioned by the low order intake in 2020. However, a slight change in trend in terms of order intake has been observed in the first few months of 2021, which could be a sign of some market recovery.

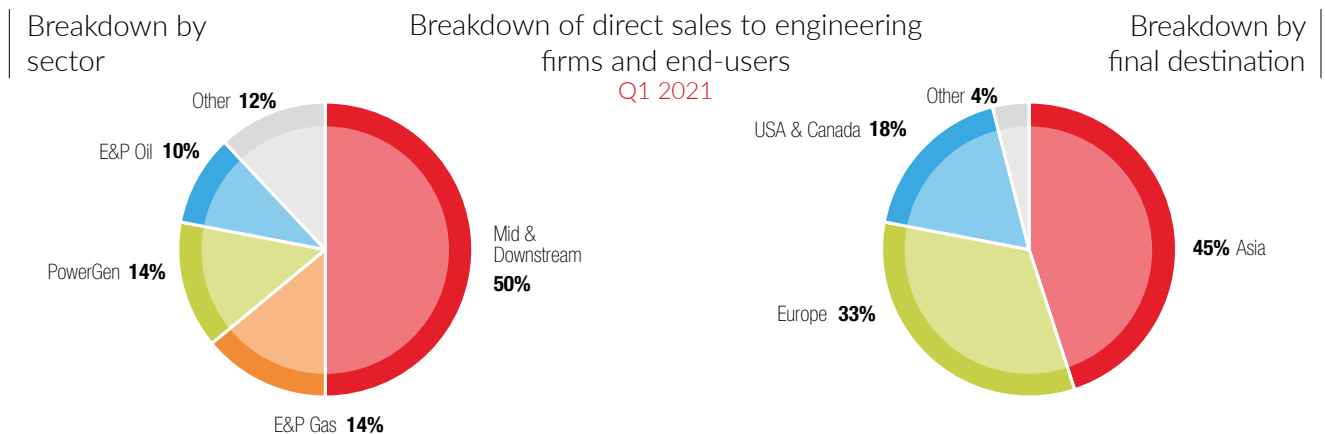
The sales channel to end-users and engineering firms is still the most important channel for TUBACEX in terms of invoicing and order intake during the first quarter, in line with the Group's strategy of providing customized tubular solutions for the end-user. The sales breakdown via this channel is as follows: Gas E&P 14%, Oil E&P 10%, Power Generation 14% and Mid&Downstream 50%.

The **E&P** sector continues to register low levels of activity as has been the tendency in recent years as a result of the crisis in the oil and gas sector. However, it is necessary to point out a better relative performance of the gas sector towards which TUBACEX products and services are aimed to a greater extent and which is expected to play a major role within energy transition. It is also worth highlighting the stable and positive performance of the special components segment aimed at the Oil&Gas drilling and maintenance sector and which has been incorporated recently in the Group's perimeter. In spite of the overall low levels of activity in the E&P sector, a reactivation of the final phases of the award of projects has been observed in recent months, so it is foreseen that there will be a gradual recovery of activity. In this respect, the increase in order intake for umbilical tubes can be highlighted. The Group already has a significant backlog for this product over the coming months.

In the **Power Generation** sector, TUBACEX focuses its efforts on accompanying industries on their path towards decarbonization. On one hand, it supplies solutions that reduce CO₂ emissions in conventional energy sector processes through ultra-super advanced technology that reduces emissions by 40%. On the other hand, it also destines part of its sales to the nuclear industry, which is backed by international associations and is growing as a complementary source of electricity, along with renewable energies. Both markets maintain stable but low levels of activity. Furthermore, the role of TUBACEX as a key supplier in the storage and transportation of hydrogen can be highlighted, with the supply of high nickel alloys to hydrogen plants or the development of coatings for hydrogen production. This market still represents a very small part of the Group's business, but it is set to increase its importance in line with the energy transition.

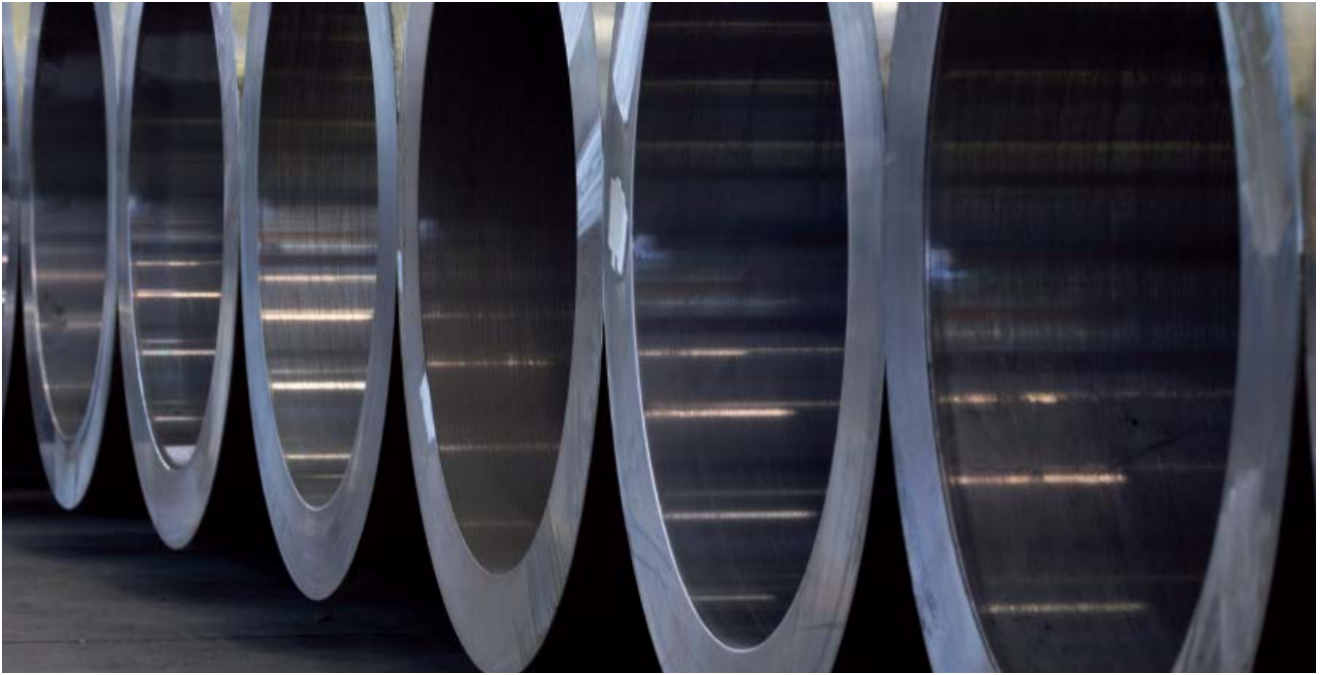
TUBACEX's approach for the **Mid&Downstream** sector is aimed at new solutions to increase the efficiency of processes and, by doing so, reduce CO₂ emissions. Demand for furnaces for refineries and products for the petrochemical and chemical sector follows the same average evolution as the rest of the sectors. On the other hand, the company is growing strongly in heat exchanger applications in high nickel alloys.

The rest of the sectors, like the general market, have started off the year at low levels, although recovery has been observed in recent months, particularly in the instrumentation tube and aeronautical segments.



From a geographical point of view, Asia is still the Group's main market with 45% of sales due to its high exposure to gas, both in terms of its extraction and processing activity and that of power generation. Growth forecasts in this region remain high for the forthcoming years.

The USA and, more specifically, the precision industry, must be highlighted as one of the main focuses of the TUBACEX Group's commercial strategy, proof of which is the recent construction of a new plant in Oklahoma, as well as the acquisition of shares in Amega West.



• 3 TUBACEX on the stock market

Share evolution

JAN 21 - MAR 21

The TUBACEX share performance in the first three months of 2021 has been extremely positive following its sharp correction in 2020 as a result of the global crisis and the fall in activity due to COVID-19.

The share closed on 31st March at €1.80, up 31.4% and with a market capitalization of €239.4M.

As far as share liquidity is concerned, the number of shares traded on the regulated market in the first quarter of 2021 amounted to 37.0 million, compared to 17.2 million in the same period of 2020.

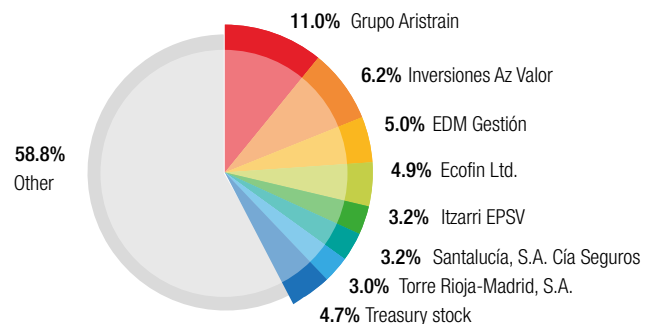


Shareholding

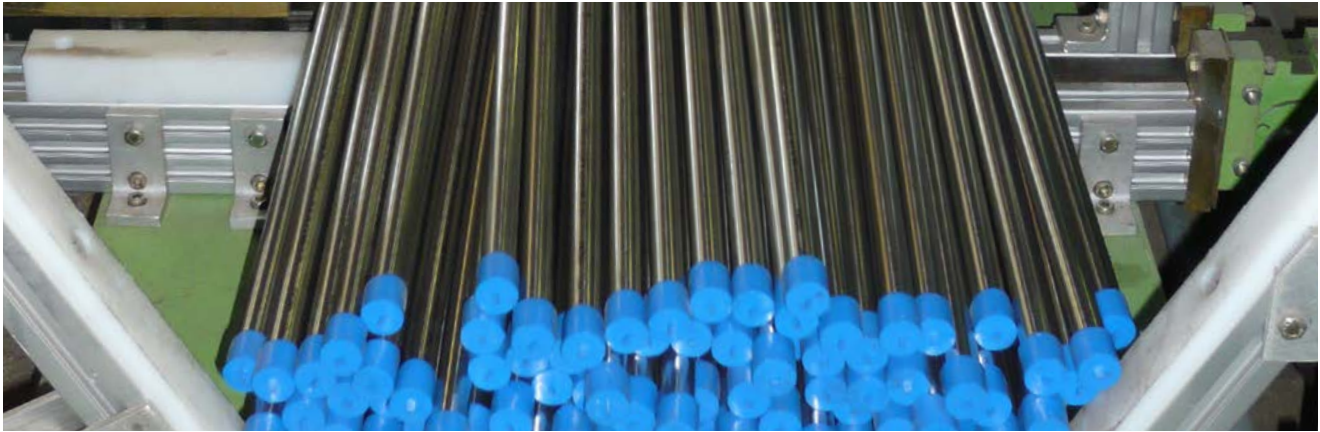
2021.03.31

During the first quarter of the year, there has been no change in the structure of TUBACEX's significant shareholders.

As recorded in the CNMV, the TUBACEX shareholder structure on 31st March 2021 was as follows:



Source: CNMV (Spanish Securities Exchange Commission)



4 Financial figures

Consolidated balance sheet
€M

	2021.03.31	2020.12.03	% change
Intangible assets	114.6	115.6	-0.8%
Tangible assets	300.2	308.5	-2.7%
Financial assets	91.9	80.3	14.4%
Non-current assets	506.7	504.4	0.5%
Inventories	270.8	263.5	2.8%
Receivables	31.1	57.4	-45.8%
Other account receivables	23.3	21.4	8.6%
Other current assets	5.1	5.6	-8.2%
Derivative financial instruments	0.8	0.7	14.1%
Cash and equivalents	189.5	185.9	2.0%
Current assets	520.6	534.5	-2.6%
TOTAL ASSETS	1,027.3	1,038.9	-1.1%
Equity, Group Share	226.9	240.9	-5.8%
Minority interests	56.9	57.6	-1.2%
Equity	283.8	298.4	-4.9%
Interest-bearing debt	257.9	252.5	2.1%
Derivative financial instruments	0.3	0.6	-59.9%
Provisions and other	65.9	65.2	1.0%
Non-current liabilities	324.0	318.4	1.8%
Interest-bearing debt	242.1	231.5	4.6%
Derivative financial instruments	0.9	1.0	-9.4%
Trade and other payables	104.5	114.1	-8.5%
Other current liabilities	72.2	75.5	-4.4%
Current liabilities	419.6	422.1	-0.6%
TOTAL EQUITY AND LIABILITIES	1,027.3	1,038.9	-1.1%

Consolidated income statement

€M

	1Q 2021	1Q 2020	change %
Sales	86.5	153.7	-43.7%
Change in inventories	(5.7)	(7.4)	-22.6%
Other income	4.3	3.5	22.3%
Cost of materials	(35.6)	(66.2)	-46.2%
Personnel expenses	(25.9)	(37.5)	-30.9%
Other operating costs	(23.4)	(33.7)	-30.5%
EBITDA	0.1	12.4	-99.4%
<i>EBITDA Margin</i>	0.1%	8.1%	
Amortization	(12.6)	(12.0)	5.5%
EBIT	(12.6)	0.4	n.m.
<i>EBIT Margin</i>	neg.	0.3%	
Financial Result	(3.2)	(3.2)	1.6%
Exchange differences	0.1	(0.1)	n.m.
Profit Before Taxes	(15.7)	(2.9)	n.m.
<i>Profit Before Taxes Margin</i>	neg.	neg.	
Net Income, Group Share	(16.4)	(1.6)	n.m.
<i>Net Margin</i>	neg.	neg.	

n.m.: Not meaningful
neg.: Negative

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