

First Half 2021 Earnings Release



Low activity during the first half of the year marks TUBACEX's results

- **Sales for the first half of the year amounted to €160 million, and the EBITDA stood at €0.3 million.**
- **The company has implemented a financial restructuring plan in its main business units.**
- **TUBACEX is finalizing an ambitious Strategic Plan in order to play a key role in the leadership of the global transition towards cleaner energy.**

Llodio, 27th July, 2021. TUBACEX has presented its results for the first half of 2021 today, marked by the fall in activity in its main demand segments during the first part of the year. Sales for the first half of the year amounted to €160 million, and the EBITDA stood at €0.3 million, figures that are a far cry from those obtained in the same period of 2020.

The low backlog with which the Group started the year following a 2020 with an extremely low order intake has led to low levels of activity in all of the Group's units worldwide; with a particular impact on the plants in Alava, which are pending the solution of the restructuring process implemented globally by the Group, and a return to activity.

This financial restructuring plan undertaken by the Group in its main business units is preparing the organization to address the challenges faced by the company in a market context dominated by the energy transition.

The CEO of TUBACEX, Jesús Esmorís, considers that “faced with a crisis in the Oil&Gas sector, exacerbated by the global pandemic caused by COVID-19 and the acceleration of the economy's decarbonization objectives, TUBACEX has done its homework regarding a structural reduction of its costs and is working on strategic positioning that will enable us to adapt to the new reality”.

In this respect, the company is immersed in the design of a new Strategic Plan in order to play a key role in the transition towards cleaner energy, such as gas, which is expected to be essential in this transition. “We have made progress in improving our positioning as a supplier of solutions in the energy sector, leaving the focus on volume behind and highlighting added value”, declared Esmorís.

About TUBACEX

TUBACEX is a multinational group with its headquarters in Alava and a global leader in the manufacture of stainless steel and high-alloyed tubular products (tubes and accessories). It also offers a wide range of services from the design of tailored solutions to installation and maintenance operations.

It has production plants in Spain, Austria, Italy, the United States, India and Thailand, as well as Saudi Arabia, Dubai, Norway, Canada and Singapore through the NTS Group, worldwide service centers and sales offices in 38 countries.

The main demand segments for the tubes manufactured by TUBACEX are the oil and gas, petrochemical, chemical and power generation industries.

TUBACEX has been listed on the Spanish Stock Market since 1970 and is part of the "IBEX SMALL CAPS" Index. www.TUBACEX.com

Earnings Release

2nd QUARTER
2021



“Order intake is increasing, the backlog is growing and production activity is recovering in all units”

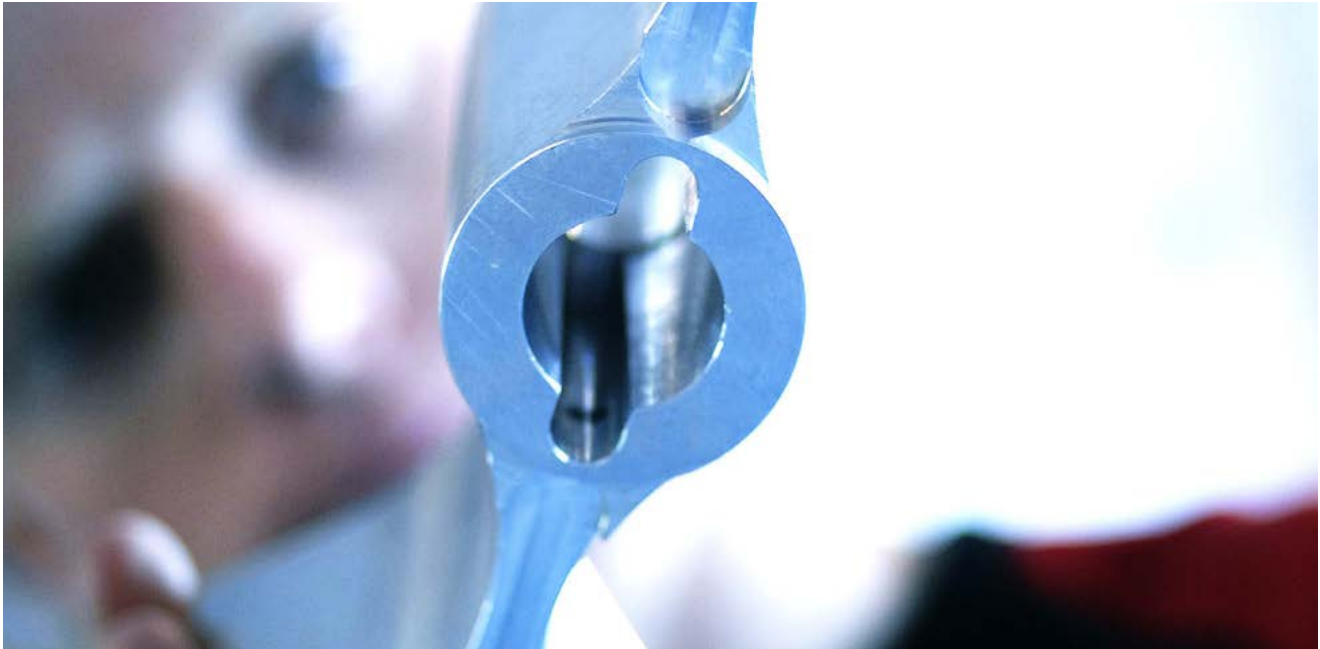
We have gone through some complicated times in recent years. The global pandemic caused by COVID-19 and the acceleration of the economy's decarbonization objectives were added to the crisis in the Oil&Gas sector. All of these events have dealt a severe blow to the baseline of what were our traditional markets, forcing us to react rapidly to adapt to the new reality.

Today, we can say that the restructuring of the Tubacex Group is completed. Thanks to that, in addition to increasing our efficiency, with savings in excess of €30 million, we have prepared ourselves for a future that will inevitably involve the energy transition towards cleaner sources of energy. We have made progress in improving our positioning as a supplier of solutions in the energy sector, leaving the focus on volume behind and highlighting added value. We have increased our market share in the Gas segment, which is set to play a key role in this energy transition, in which we hold a leadership position. And we have diversified our products both geographically and in sectors beyond oil and gas.

The first half of 2021 has been complicated as we started with a reduced backlog and low levels of activity in all of the Group's plants. However, the restructuring and efforts made enable us to face the coming quarters optimistically. Order intake is increasing, the backlog is growing and production activity is recovering in all units. With all of this, we expect a gradual improvement in results in the second half of the year, and a more significant recovery in 2022.

In parallel, we are working on a new Strategic Plan as it is evident that the energy market is changing and we want to form part of this change and lead it. 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

As indicated in the publication of the results for the first quarter of the year, the results for the second quarter are following a similar trend.

Sales for the first half of 2021 have amounted to €160M and the EBITDA stands at €0.3M, a far cry from the figures obtained in the first half 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

	<u>H1 2021</u>	<u>H1 2020</u>	<u>change %</u>	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>change %</u>
Sales	160.0	282.0	-43.3%	73.5	128.3	-42.7%
EBITDA	0.3	19.8	-98.7%	0.2	7.4	-97.4%
EBITDA margin	0.2%	7.0%		0.3%	5.8%	
EBIT	(22.0)	(4.3)	n.m.	(9.4)	(4.8)	n.m.
EBIT margin	neg.	neg.		neg.	neg.	
Net Profit	(23.3)	(8.3)	n.m.	(6.9)	(6.7)	n.m.
Net margin	neg.	neg.		neg.	neg.	

	<u>30.06.2021</u>	<u>31.12.2020</u>
Equity Attributable to the Parent	211.6	240.9
Equity / Net Financial Debt	62.5%	80.8%
Working Capital	209.3	206.8
Working Capital / Sales	58.5%	43.1%
Structural Net Financial Debt ⁽¹⁾	129.2	91.4
Total Net Financial Debt	338.5	298.1
NFD/ EBITDA	18.3x	7.8x

neg.: negative

n.m.: not meaningful

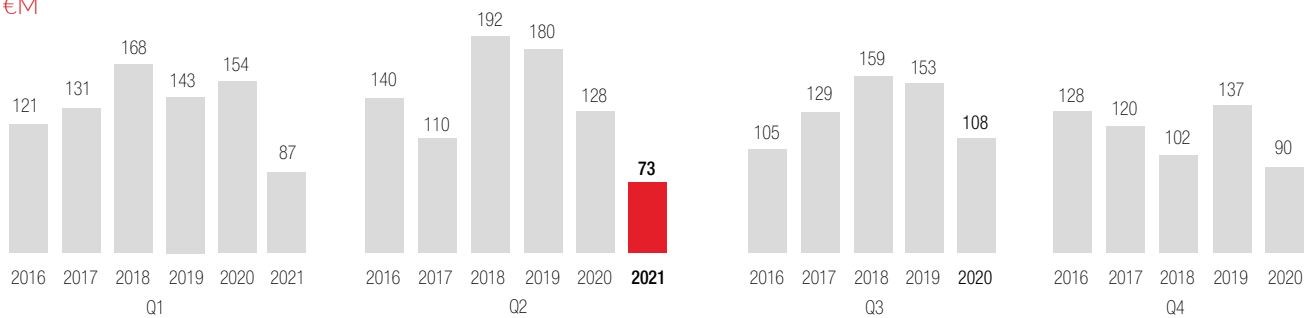
(1) Total Net Financial Debt - Working Capital

As far as the Balance Sheet is concerned, the working capital has increased by €2.6M in the first half of the year, as a result of the increased activity that is starting to be seen at all of the Group's plants. Net financial debt stands at €338.5M, up on the close of December as a result of the low profit generation and the extraordinary cash outflows related to compensation as a result of the restructuring plan and the acquisition of the minority stake that the Group did not hold in Tubacex Prakash. This net financial debt figure, combined with a very low EBITDA, due to the current situation, have led the debt ratio to high levels.

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 €190M and liquidity of €220M, which guarantees the soundness of the Balance Sheet and covers the maturity of loans until 2025. Furthermore, the foreseeable cash flow generation for the coming quarters thanks to the gradual reactivation of activity in all of the Group's units and the gradual improvement in results will enable the net financial debt figure to be reduced to levels similar to that at the close of 2020 by the end of the year, returning to pre-COVID debt ratios in mid-2022.

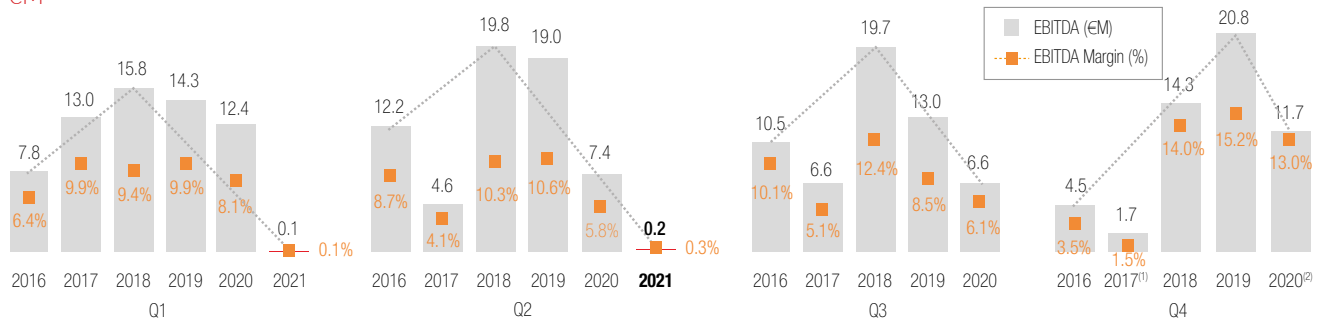
Quarterly evolution of the sales figure

€M



Quarterly evolution of the EBITDA figure

€M



(1) EBITDA for the last quarter of 2017 includes extraordinary adjustments

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





• 2 Business evolution

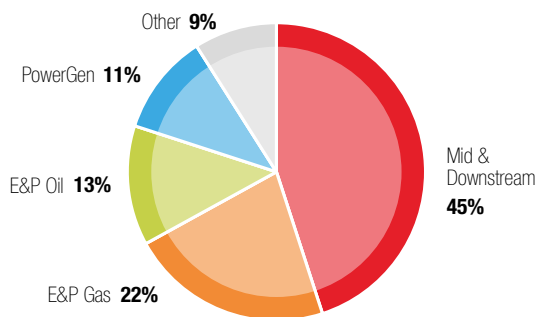
The current market environment is still heavily marked by the evolution of the global pandemic and invoicing for the first half has been conditioned by the low order intake in 2020. However, a change in trend in terms of order intake has been observed in the first half of 2021, which is a sign of some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

There is a gradual improvement in all markets in which TUBACEX participates, but particularly in the Gas sector, a significant part of the Group's products target that is set to be key in the energy transition. Gas-related projects are undergoing significant improvement, both in terms of

Upstream, having secured important orders for umbilical tubes and with upcoming major OCTG projects, as well as in Midstream for the development of new Gas Fields and those related to LNG.

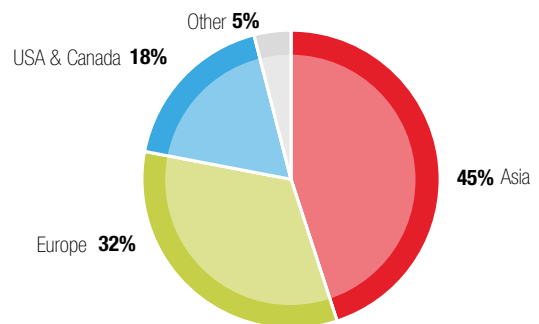
The sales channel to end-users and engineering firms is still the most important channel for TUBACEX in terms of invoicing and order intake during the first half of the year, in line with the Group's strategy of providing customized tubular solutions for the end-user. The sales breakdown via this channel is as follows: Gas E&P 22%, Oil E&P 13%, Power Generation 11% and Mid&Downstream 45%.

Breakdown by sector



Breakdown of direct sales to engineering firms and end-users

1H 2021



Breakdown by final destination

As previously mentioned, the improved relative performance of gas stands out in the **E&P** sector. The recovery is more significant in the SURF segment with an increase in the backlog, particularly in umbilical offshore tubes, which has now reached pre-COVID levels. The most active geographical areas for this segment are Norway and Brazil. It is expected that this tendency will be maintained over the coming months, activating new projects in the Gulf of Mexico and in West Africa.

In the **Power Generation** sector, TUBACEX focuses its efforts on accompanying industries on their path towards the electrification of demand and decarbonization. On one hand, it supplies solutions that reduce CO2 emissions in conventional energy sector processes through "ultra-supercritical" technology that reduces greenhouse gas emissions by 40%. Demand in this sector focuses on Asia, where China continues with its plans to commission new plants and modernize its operating power stations.

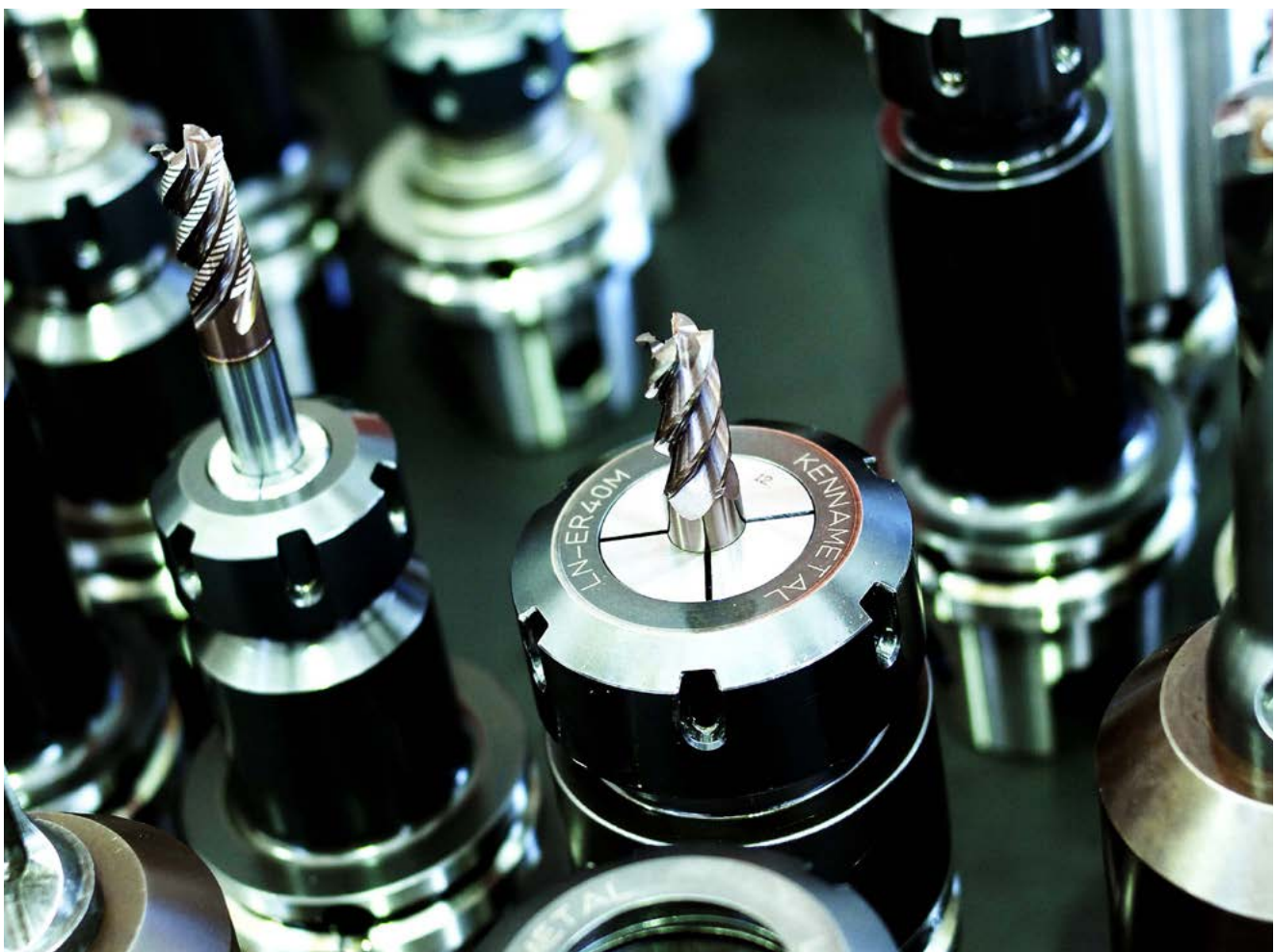
On the other hand, the nuclear industry, backed by international associations, is growing as a complementary source of electricity, along with renewable energies. Through its GNMS platform, TUBACEX has a good positioning in the French engineering firm, EDF, where it is already the most important supplier within the maintenance plan for its fleet in France, and it continues to win major contracts for the “Hinkley Point” project that the French company is building in the United Kingdom. Furthermore, TUBACEX is working on new value proposals to position itself as a key supplier in hydrogen generation, storage and transport processes, with the delivery 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. In this segment, a partial recovery is being observed in terms of the award of new projects, with major awards, particularly in Gas Field and LNG development projects, and a significant number of projects in the final investment decision stage (FID). The market is expected to fully recover in 2022, particularly in Asia, with a re-surge in awards to EPCs in Downstream, particularly to update and install new capacity at petrochemical plants to support the demand forecasts over the coming years.



The rest of the sectors started off the year at very low levels, although recovery has been observed in recent months, particularly in the instrumentation tube and aeronautical segments. It is worth highlighting the stable and positive performance of the special components segment aimed at the Oil&Gas drilling and maintenance sector, which has recently been incorporated in the Group’s perimeter.

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 the assets of Amega West.





• 3 TUBACEX on the stock market

Share evolution

JAN 21 - JUN 21

The TUBACEX share has accumulated positive performance during the first half of 2021 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 30th June at €1.486, up 8.5% and with a market capitalization of €197.6M.

Regarding share liquidity, the number of shares traded on the regulated market throughout the first six months of 2021 amounted to 58.9 million, compared to 50.3 million in the same period of 2020.

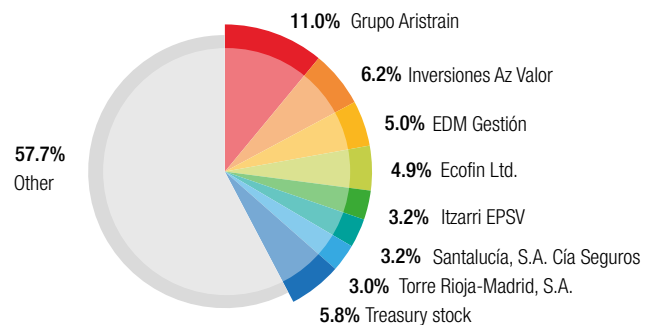


Shareholding

30.06.2021

During the first half 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 30th June 2021 is as follows:



Source: CNMV (Spanish Securities Exchange Commission)



• 4 Financial figures

Consolidated balance sheet
€M

	<u>30.06.2021</u>	<u>31.12.2020</u>	<u>change %</u>
Intangible assets	112.4	115.6	-2.8%
Tangible assets	293.7	308.5	-4.8%
Financial assets	83.5	80.3	4.0%
Non-current assets	489.6	504.4	-2.9%
Inventories	275.6	263.5	4.6%
Receivables	48.2	57.4	-16.1%
Other account receivables	25.0	21.4	16.9%
Other current assets	6.6	5.6	17.8%
Derivative financial instruments	0.7	0.7	0.0%
Cash and equivalents	190.1	185.9	2.2%
Current assets	546.2	534.5	2.2%
TOTAL ASSETS	1,035.8	1,038.9	-0.3%
Equity, Group Share	211.6	240.9	-12.1%
Minority interests	52.5	57.6	-8.9%
Equity	264.1	298.4	-11.5%
Interest-bearing debt	271.6	252.5	7.6%
Derivative financial instruments	0.3	0.6	-47.8%
Provisions and other	61.3	65.2	-6.1%
Non-current liabilities	333.2	318.4	4.7%
Interest-bearing debt	257.0	231.5	11.0%
Derivative financial instruments	0.8	1.0	-11.6%
Trade and other payables	114.4	114.1	0.3%
Other current liabilities	66.2	75.5	-12.3%
Current liabilities	438.5	422.1	3.9%
TOTAL EQUITY AND LIABILITIES	1,035.8	1,038.9	-0.3%

Consolidated income statement

€M

	Q2 2021	Q2 2020	change %	H1 2021	H1 2020	change %
Sales	73.5	128.3	-42.7%	160.0	282.0	-43.3%
Change in inventories	5.6	(15.8)	n.m.	(0.1)	(23.2)	-99.5%
Other income	4.8	3.1	53.8%	9.1	6.6	37.2%
Cost of materials	(38.4)	(50.2)	-23.4%	(74.1)	(116.4)	-36.4%
Personnel expenses	(25.2)	(31.7)	-20.6%	(51.2)	(69.3)	-26.2%
Other operating costs	(20.1)	(26.2)	-23.6%	(43.5)	(59.9)	-27.5%
EBITDA	0.2	7.4	-97.4%	0.3	19.8	-98.7%
EBITDA Margin	0.3%	5.8%		0.2%	7.0%	
Amortization	(9.6)	(12.2)	-21.1%	(22.2)	(24.2)	-8.0%
EBIT	(9.4)	(4.8)	97.7%	(22.0)	(4.3)	n.m.
EBIT Margin	neg.	neg.		neg.	neg.	
Financial Result	(3.0)	(3.5)	-13.9%	(6.3)	(6.7)	-6.5%
Exchange differences	0.1	(0.3)	n.m.	0.2	(0.3)	n.m.
Profit Before Taxes	(12.3)	(8.5)	44.7%	(28.0)	(11.4)	n.m.
Profit Before Taxes Margin	neg.	neg.		neg.	neg.	
Net Income, Group Share	(6.9)	(6.7)	3.7%	(23.3)	(8.3)	n.m.
Net Margin	neg.	neg.		neg.	neg.	

n.m.: not meaningful
neg.:negative

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