



**TUBOS
REUNIDOS
GROUP**

PERFORMANCE AND
RESULTS **H1 2024**

Amurrio, 27 September 2024

Tubos Reunidos has today published its results for the first half of the 2024 financial year. The trend that began at the end of 2023, namely a slowdown in incoming orders and increased price pressure, has continued throughout these six months. However, the most notable feat during the period was the Group using the cash flow generated by the extraordinary results obtained in the two previous financial years to provide a significant boost to its

deleveraging, with a net financial debt reduction by EUR 62.1 million and net profit coming in at EUR 40.6 million. Moreover, the completion of two of the core objectives of the Strategic Plan, namely bringing together the cold-drawing and steel manufacturing processes at the Amurrio Mill, has made it possible to sell the inactive plants, thereby helping with the aforementioned objective of reducing net financial debt.

Key figures

Millions of euro unless otherwise stated	30.06.24	30.06.23	Change	Change (%)
Results				
Net turnover	172.7	332.6	(159.9)	(51.9%)
EBITDA	5.3	86.9	(81.6)	(93.9%)
EBITDA/turnover margin	3.1%	26.1%	(23.0%)	-
Operating income	(2.8)	78.1	(80.9)	-
Profit/(loss) before tax	52.3	57.5	(5.2)	(9.1%)
Net income	40.4	54.5	(14.1)	(25.9%)
Cash flow and debt				
Cash flow from operations	14.7	40.3	(25.6)	(63.5%)
Net cash flow	(37.9)	1.5	(39.4)	-
Net financial debt*	220.3	282.4	(62.1)	(22.0%)
Cash position and financial investments*	62.0	95.8	(33.8)	(35.3%)
Others				
CapEx	7	16	(9)	(58.7%)
Consolidated net equity*	44.0	4.3	39.7	-
Net equity for trading purposes*	201.3	136.5	64.8	47.3%

1 Of the Group's parent company

* Versus 31/12/2023

The definition of the indicators can be found in the *Alternative Performance Measures* section of the Management Report for the half year ended 30 June 2024.

Net turnover for the half-year totalled EUR 173 million, lower than for the same periods of the two previous financial years due mainly to lower demand for seamless piping and, above all, increased pressure on sales prices following the record levels in all pipe categories in 2022 and the early months of 2023.

Apparent demand has been affected by persistently high inventory levels among customers and distributors, customer caution in the face of expectations of cost containment and lower borrowing costs, uncertainty surrounding the impact of the US presidential election, and competitive pressure from Chinese producers who are experiencing weak domestic demand.

Cost containment actions and the reduction in the cost of energy and, to a lesser extent, raw materials, have offset part of the reduction in volume and price, with EBITDA (earnings before interest, taxes, depreciation and amortisation) standing at EUR 5.3 million and profit before tax at EUR 52.3 million. It is worth noting the decrease with respect to supplies, with costs down by 45.5% due to lower activity and scrap metal prices, as well as to operating actions.

Of particular note within the "Other operating and other expenses" line item are the savings obtained via operating enhancements and lean processes in plants, as well as those resulting from lower energy prices.

With net turnover down by almost 50% compared with the first half of 2023, staff expenses have fallen by 20% due to reduced need for temporary staff and fewer night shift and weekend production bonuses, as well as the impact of two temporary employment adjustment programmes at the Amurrio and Trápaga plants (the latter having been in place since the end of February) to align working hours with the actual production load.

In terms of financial results, the positive outcome of the discounted debt buyback performed in January, which generated net financial income of EUR 66.5 million and helped towards reducing the Group's debt, should be noted.

Interest expense on debt and current financing lines was EUR 12.9 million (2023: EUR 12.6 million) amid an environment of persistently high interest rates. The other items correspond to the change in fair value of financial instruments, including expense of EUR 1.2 million on the measurement of the renewable electricity PPA, and foreign exchange gains of EUR 2.1 million brought about by the appreciation of the dollar against the euro during the period.

Consolidated net profit for the period attributable to the parent company was EUR 40.6 million (2023: EUR 54.1 million).

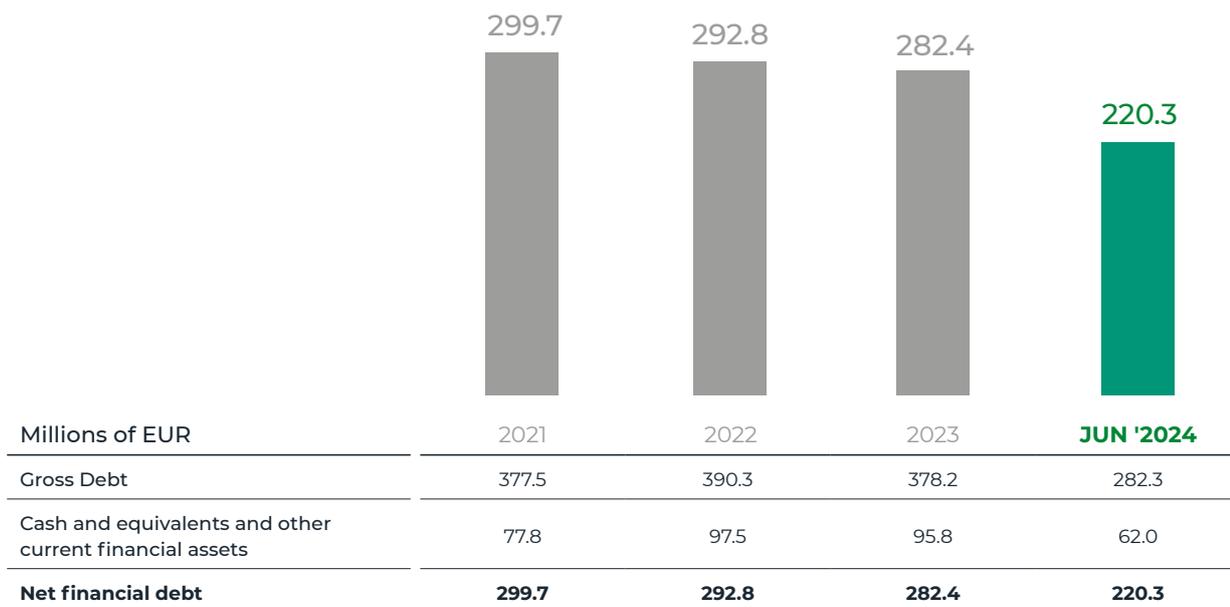
Financial situation

Net financial debt fell by EUR 62.1 million to EUR 220.3 million (31/12/2023: EUR 282.4 million) owing to the combined effect of the discounted debt buy-back, adherence to the repayment schedule and the additional early repayment of debt using funds obtained from the sale of the Pamplona Mill.

The debt buyback involved the Group making an offer to its creditors via a discounted Dutch auction, which entailed purchasing debt with a nominal value of EUR 106.7 million of principal and interest, paying EUR 27.5 million and reducing net financial debt by EUR 66.5 million (taking into account accounting effects and costs).

Ongoing efforts to optimise working capital enabled the generation of an operating cash flow of EUR 14.7 million. Investments, mainly made as a result of unifying the steelworks, stood at EUR 13.1 million. In terms of debt servicing, EUR 5.8 million was allocated to repaying the principal on the syndicated loan and the FASEE loan.

The evolution in net financial debt over the last four years and the net financial debt/EBITDA index is as follows:



As of 30/06/2024, the Group is in compliance with the covenants established in the financing agreements: net debt/EBITDA and maximum authorised CapEx ceiling.

Investments

The Group started financial year 2024 by commissioning the extension of the Amurrio steelworks to produce ingots for large pipes, which until that point had been manufactured in Sestao. As a result, all steel production since the start of the year has been carried out entirely in the new facility. The rest of the investments during the period were linked to driving Mill process improvements, and to safety improvements and the digitalisation plan.

Second-half outlook

The second half is somewhat mirroring the first half of the year, with a focus on developments in the Chinese economy and the US presidential election in November, the result of which will determine whether we see a continuation of the current scenario or a potential return to an insular policy that will again result in measures to protect local industry, in line with increasingly inward-looking trends worldwide. At the same time, the caution displayed by many customers in the face of a possible recession is a factor to be considered in the short-term.

Given the environment of uncertainty, we expect volumes and prices to recover slowly throughout 2025 as actual and apparent demand rebalance as inventories in the sector fall back to normal levels, and as projects related to the generation of energy in all its forms are rolled out more quickly. Through the promotion of decarbonisation processes, we also expect to generate considerable demand for O-Next®, the first seamless steel pipe on the market with net zero scope 1 and 2 carbon emissions, made from recycled raw materials. The O-Next® pipe, which was unveiled at Tube Düsseldorf 2024 and will enter into production in the second half of the year, has generated considerable interest from our customers owing to the contribution that it could make to their own decarbonisation processes. We expect it to account for an increasingly large part of our portfolio to reflect the industry's direction of travel in that regard.

Finally, the European Central Bank's recent interest rate cut in light of lower inflation is good news that should trigger renewed activity and greater dynamism in the sector in 2025.



Appendix:

Summary of financial statements

Statement of income (Thousand of euros)	H1 2024	H1 2023	2024 vs. 2023
Net turnover	172,707	332,619	(48.1%)
Supplies	(62,765)	(89,886)	(30.2%)
Staff expenses	(53,689)	(67,097)	(20.0%)
Other operating expenses	(55,615)	(94,600)	(41.2%)
Other operating income and net gains/(losses)	4,664	5,838	(20.1%)
EBITDA	5,302	86,874	(93.9%)
Depreciation of property, plant and equipment	(9,959)	(8,826)	12.8%
Impairment and results for fixed assets disposal	1,852	44	4,109.1%
EBIT	(2,805)	78,092	(103.6%)
Financial result	55,136	(20,535)	n/a
Profit before income tax	52,331	57,557	(9.1%)
Tax on profits	(11,939)	(3,038)	n/a
Consolidated profit for the period	40,392	54,519	(25.9%)
Result attributed to external partners	207	(375)	n/a
Result attributed to the parent company	40,599	54,144	(25.0%)

Balance sheet (Thousand of euros)	30/06/2024	31/12/2023
Non-current assets	274,865	304,369
Current assets	199,646	225,595
Inventories	102,685	107,818
Customers	18,080	15,989
Other current assets	16,852	5,989
Cash and other cash equivalents	62,029	95,799
TOTAL ASSETS	474,511	529,964
Net equity	43,993	4,350
Equity loan	118,177	119,779
NET EQUITY INCLUDING EQUITY LOAN	162,170	124,129
Deferred revenues	1,190	107
Non-current liabilities	175,541	274,549
Non-current provisions	2,818	5,501
Bank borrowings and other financial liabilities	130,522	227,461
Fixed income securities	14,658	15,008
Other non-current liabilities	27,543	26,579
Current liabilities	135,610	131,179
Short-term provisions	4,200	8,300
Bank borrowings and other financial liabilities	18,969	15,995
Other current liabilities	112,441	106,884
TOTAL LIABILITIES	474,511	529,964

Cash Flow (Thousand of euros)	H1 2024	H1 2023
Earning before Taxes	52,331	57,557
Amortisation	9,959	8,826
Other Adjustments	(61,783)	24,990
Change in Working Capital	20,195	(45,830)
(increase)/decrease of inventories	13,001	(20,803)
(increase)/decrease of account receivables	1,026	(19,969)
(increase)/decrease of account payables	6,168	(5,058)
Other Payments	(5,990)	(5,264)
Cash flow from operating activities	14,712	40,279
Investment	(13,096)	(17,319)
Withdrawal	4,443	44
Divestment/(Investment) of financial assets	(4,082)	(5,314)
Cash flow from investment activities	(12,735)	(22,589)
Cash flow from financing activities	(39,898)	(16,185)
Net cash flow	(37,921)	1,505

Information and forward-looking statements

The financial and operational information included in this release relating to the first half of the 2024 financial year is based on the condensed interim consolidated financial statements. This document has been prepared by TUBOS REUNIDOS, S.A., and is distributed for information purposes only. This document contains forward-looking statements and includes information regarding our current intentions, beliefs or expectations about future trends and events that could affect our financial condition, the results of operations or our share price. These forward-looking statements are not guarantees of future performance, and entail risks and

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