Special Products & Integral Services Worldwide

Management report and results for the fourth quarter and 2020

Amurrio-Alava, 26 February 2021 – Tubos Reunidos has today announced its results for the fourth quarter and the 2020 fiscal year, compared to its results for the same period in 2019.

The 2020 fiscal year was marked by the global COVID-19 pandemic. The pandemic has caused multiple projects to be delayed in the Group's global chain of key sectors—such as oil and gas, energy and industry—and a collapse in demand. This has led to a slowdown and reduction in activity since it emerged. This situation has drastically impacted the Group's business and incoming orders for 2020, and continues to have an impact in the first quarter of 2021.

The strategy, started in 2018, of geographical, sector and product diversification; reduced exposure to the US market; and significant industrial and commercial efforts, was reflected in a significant increase in orders in the last quarter of 2019. This meant starting 2020 with a 46% portfolio increase compared to the beginning of the previous year and a mix focused on fundamentally high value-added products in the midstream and downstream sectors.

The evolution of the Group's performance in the first months of 2020 up to the outbreak of the pandemic was comfortably in line with forecasts, and markedly better than the previous year in both sales and operating results. The COVID-19 impact offset the good start to the year, having an effect since the second quarter of 2020 and continuing into 2021.

Against the backdrop of uncertainty and the health crisis, the Group's Board of Directors and Management took the necessary measures from the outset. This meant both a commitment to the safety of our workers, and economic measures focused on adapting to shrinking demand, managing working capital and temporary job adjustments.

The management measures included €15 million in extraordinary financing formalised in May 2020, partly guaranteed by the government guarantee line managed by the ICO (*Instituto de Crédito Oficial* – Official Credit Institute), and the novation of the restructuring framework agreement signed at the end of 2019. The obligation to comply with financial ratios was deferred and the previously established grace period was extended by one year.

The Group's business context is far from normal due to COVID-19 and requires great caution. Within this scenario, the Group's objectives are structured in two distinct phases:

1. The first phase covers the second half of 2020 and all of 2021 and is called "Focus on cash" in which the Group will continue saving cash. This means continuing to strongly influence the management guidelines mentioned above: cost containment measures, temporary employment adjustments, and negotiating new sources of funding that help mitigate the effects of the pandemic and allow implementation of the efficiency

measures necessary to successfully carry out the second phase. Among these new sources of funding, on 7 January, the Group announced the request for temporary public support from the Support Fund for the Solvency of Strategic Companies affected by the pandemic (*Fondo de Apoyo a la Solvencia de Empresas Estratégicas*), as per Royal Decree Law 25/2020, of 3 July, for a total of €112.8 million.

2. The second phase covers the 2022–2024 period and is called "Focus on value". We estimate that global energy and electricity needs will increase during this phase, spurred by the return to pre-COVID-19 levels of demand, the growth of the world's population and greater 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 clean energies (nuclear, offshore wind, geothermal, green hydrogen/eFuels, biomass, incinerators and solar thermal). At the same time, the increased consumption of natural gas as a transition energy will continue to progressively overtake coal and other heavier fossil fuels in the electricity mix. We estimate that all of this will boost demand for seamless steel tubing in higher grade, and therefore higher value, steels, reinforcing the logic of our sector and market diversification strategy.

   The Group's priorities throughout this period, while focusing on worker health and safety at all times, will be team training and development, digitising our processes, developing new products, and a business strategy aimed at increasing our sales mix in all sectors with more value-added products.

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Main financial figures for the consolidated Group:

Consolidated, Million EUR	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2020	2019	% change
Net Sales	51,7	55,8	57,0	77,1	241,7	284,4	(15%)
EBITDA *	(14,1)	(1,7)	(2,9)	0,7	(18,0)	(11,4)	(58%)
% o. sales	*(27,2%)*	*(3,1%)*	*(5,1%)*	*0,9%*	*(7,5%)*	*(4,0%)*	
EBIT	(36,8)	(6,1)	(92,1)	(5,3)	(140,3)	(51,3)	(173%)
EBIT adjusted (not including asset impairment)	(20,2)	(6,1)	(9,1)	(5,3)	(40,7)	(36,6)	(11%)
Net income for the period	(42,0)	(13,6)	(35,3)	(10,4)	(101,3)	(41,5)	(144%)

* See calculation in Financial Statements

The quarterly evolution of turnover reflects the progressive impact of the COVID-19 health crisis on the Group's business. Consolidated net turnover for the fourth quarter of the fiscal year stood at €51.7 million, the lowest of the entire fiscal year, and 33% lower than the first quarter amount, when the pandemic still had not fully impacted the Group's business.

Activity at Tubos Reunidos during 2020 was a reflection of the Group's significant commercial portfolio before the pandemic and the collapse in demand when the pandemic hit. Accumulated net turnover for the fiscal year was €241.7 million, representing a 15% decline from 2019. Meanwhile, incoming orders fell by over 40%.

The net result for 2020 includes an extraordinary impairment of assets of €100 million, as is explained in the point about the analysis of the consolidated results.

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

The downstream sector confirmed itself in 2020 as the main business driver, accounting for 47% of total pipeline sales for the year, growing 6% on 2019 despite less demand. The strategy implemented to maximise order acquisition in the midstream and downstream sectors—orders with greater added value and margin—offset the reduction of volume caused by US tariffs.

The upstream sector (OCTG) represented 20% of sales for the fiscal year, versus 32% for 2019 fiscal and 40% in 2018. This is in line with the Group's objectives to reduce the specific weight of this sector in general, and the United States in particular, in the Group's sales.

The market most affected by the delay of expected projects was the Far East, where activity in 2020 was 22% lower than in 2019.

Reduced exposure to the North American market resulted in a fall of 39% compared to 2019, and the weight of the Group's billing in the market fell to 26% from 35% in the previous year.

The Middle East, Africa and Far East markets are the targets of the Group's business strategy. Here, resource allocation continued to progress as a way of deepening business activity.

The evolution of sales reinforces the Group's strategy based on geographical and product diversification, focusing on all market sectors with high value-added products. The Company is confident that it will continue to run successful operations in these markets and sectors once market activity overcomes the current impasse affecting the awarding of new projects due to COVID-19.

Revenue by geography and sector, in thousands of euros	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2020	2019	Change, %
Domestic	7.959	6.006	7.929	7.129	29.023	28.583	2%
Rest of Europe	14.312	24.659	17.406	21.095	77.472	77.180	0%
North America	14.048	9.962	14.721	19.201	57.932	94.493	-39%
East Asia	7.000	7.052	8.087	16.761	38.900	49.636	-22%
MENA	2.807	4.789	2.806	7.604	18.006	17.336	4%
Others	1.858	1.161	615	1.521	5.155	2.940	75%
Refinning&petrochemical and Power generation (Downstream)	23.013	24.305	27.039	31.808	106.165	100.000	6%
Oil&Gas - OCTG (Upstream)	11.366	6.644	9.542	17.850	45.402	86.273	-47%
Oil&Gas - Linepipes (Midstream)	6.191	14.535	8.422	13.718	42.866	45.638	-6%
Construction, mechanical, industrial	7.414	8.145	6.561	9.935	32.055	38.257	-16%
Total Group	**47.984**	**53.629**	**51.564**	**73.311**	**226.488**	**270.168**	-16%
Sales volume (tons)	**31.075**	**32.145**	**32.834**	**45.790**	**141.844**	**171.707**	-17%

Sales by the geographical source of orders and not by destination

2. Analysis of consolidated results

Although the Group's EBITDA[1] for the fourth quarter of 2020 was negative €14.1 million, several factors must be considered for a correct analysis.

These factors include the continuous deterioration of activity and continuing to adopt prudent criteria to evaluate inventory in light of the exceptional nature of the global situation that has caused stoppages and delays in project delivery.

Due to the outbreak of the COVID-19 pandemic and its impact on the Group, Management prepared a mandatory impairment analysis of its assets. As a result, an amount of €100 million was recorded in the income statement for the year. In comparable terms, the Group's 2020 accumulated operating result (EBIT), not including fixed asset impairments, was €4.1 million less than the previous year, despite recording €43 million less in sales.

The positive financial result accumulated over the year reached €38.9 million. On the one hand, this included financial costs associated with funding and exchange differences, totalling €28.1 million, of which €17 million will not involve a cash outflow in the current year. On the other, it includes €67 million in revenue for the fair value of the derivative associated with the conversion option under the refinancing contract.

Consequently, the Group's negative result for 2020 was €101.3 million.

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

3. Financial situation

The main directive from the Board of Directors and the Group's Management Team in 2020, which will be a constant during 2021, was to protect cash, in response to the current market uncertainty.

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

Despite the general increase of liquidity pressures in the international economy, thanks to the management carried out by the Group to reduce working capital investment needs by controlling stock levels and maximising the use of lines of capital offered by the financing contract signed in December 2019, the Group has been able to maintain in this difficult scenario a cash level at the end of 2020 that is equivalent to what it had at the start of the year.

Within the framework of this goal to protect cash, the Group is working to obtain additional financing. On the one hand, this is to reinforce and protect our liquidity position to face the uncertainty of the 2021 fiscal year. On the other, it is to undertake the efficiency measures necessary for the Group to successfully face the next period of demand for higher added-value products within a context of transition to cleaner and more eco-friendly energies. As announced on 7 January 2021, the Company has requested €112.8 million in temporary public support from the Support Fund for the Solvency of Strategic Companies affected by the pandemic.

Dated 29 January 2021, the Group has signed a temporary funding arrangement with certain financial organisations for the amount of €7 million, partially guaranteed by the ICO. This will be repaid through the aforementioned SEPI funding in accordance with the Group's liquidity risk management.

4. Outlook

The pandemic and international health crisis triggered by the outbreak of COVID-19 posed great challenges for the market, and particularly the sector in which the Tubos Reunidos Group operates. It meant a spectacular fall in economic indicators across all sectors, a collapse in demand and the need to ensure the best possible protection for the health of our employees.

Still, and despite the repeated "waves" of the pandemic, the inexorable drive to vaccinate throughout the world has provided hope that this crisis will end in 2021.

The most likely scenario is a slow and progressive improvement in the economic outlook as vaccination accelerates and the measures taken to contain the virus are lifted. In any case, the words uncertainty and volatility best define both the current situation and any forecasts on the duration of the pandemic and its effects, whether social or economic.

The energy generation, petrochemicals and refining (downstream) segment, a sector that achieved excellent incoming orders in 2019, has suffered throughout the last year. This is due both to the slowdown of projects that were already in the Tubos Reunidos Group portfolio and the investment decisions on those already allocated a budget. A progressive recovery of these projects is expected in 2021, even though new investment decisions are not expected until the second half of the year. Also forecast is a slight increase in product demand from the maintenance plans of refining, chemical and petrochemical plants, and industry in general, that cannot be put off any longer.

Likewise, the contractions in the midstream segment remain weak due to the slowdown in investment decisions on new projects.

Upstream sector (OCTG) demand continues its downward evolution in the United States. Operators are prioritising the necessary cash flow through cost control and cutting expenses given the challenges in obtaining new financing. 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. It has slightly increased since December of last year in line with higher oil prices. However, despite these positive signs, the volatility and lack of demand caused by the pandemic remain a barrier to stabilising these indicators.

The mechanical segment remains most stable and has had the most positive outlook throughout the year, though a significant reduction in stock and concentrations is expected in the distribution chain.

Asia and the Middle East remain the areas where a more active recovery is possible. Tubos Reunidos Group is strengthening its commercial presence in these markets.

The Group started 2021 with a weak portfolio due to the effects of COVID-19 on the various sectors and regions in which it operates. Still, this portfolio is much more diversified and has much greater capillarity in key segments, such as downstream. This positioning should allow the Group to take advantage of new opportunities in products and businesses as a result of the government financing policies being implemented throughout the world. It can use this to guide its exit from this crisis by incentivising innovation and accelerating the transition to cleaner energies.

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

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 renowned, prestigious brand, offering them agile and reliable service.

We reiterate that the Group's highest priority at this time is to protect cash. We are also focusing on the progressive implementation of organisational and business measures resulting from updates to the strategic plan, a consequence of the current crisis, ongoing steel tariffs in the United States and the disruption in value chains caused by the US-China trade war.

In this context, the Tubos Reunidos Group continues to take the necessary preventive measures to ensure the health of all workers in daily operations, to respond to customer requirements by fulfilling all contracts and to adapt productive capacities to demand, putting the focus on the financial stability of the company.

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INCOME STATEMENT, Thousands of Euros	Q4 2020	Q3 2020	Q2 2020	Q1 2020	2020	2019	2020 vs. 2019
Net sales	**51.728**	**55.801**	**57.025**	**77.107**	**241.661**	**284.442**	*(15,0%)*
Changes in inventory	(16.214)	(9.147)	480	(8.141)	(33.022)	(3.604)	*(816,3%)*
Supplies	(15.703)	(18.241)	(26.798)	(26.621)	(87.363)	(131.120)	*33,4%*
Labor costs	(24.586)	(15.551)	(18.659)	(24.183)	(82.979)	(89.509)	*7,3%*
Other operating expenses	(14.030)	(14.669)	(15.469)	(17.990)	(62.158)	(78.516)	*20,8%*
Other operating income and net gains/(losses)	4.719	65	532	507	5.823	6.869	*(15,2%)*
EBITDA	**(14.086)**	**(1.742)**	**(2.889)**	**679**	**(18.038)**	**(11.438)**	***(57,7%)***
Amortisation charge	(6.076)	(4.399)	(6.176)	(5.973)	(22.624)	(25.112)	*9,9%*
Depreciation	(16.598)	-	(83.000)	-	(99.598)	(14.787)	*(573,6%)*
EBIT	**(36.760)**	**(6.141)**	**(92.065)**	**(5.294)**	**(140.260)**	**(51.337)**	***(173,2%)***
EBIT adjusted (not including asset impairment)	**(20.162)**	**(6.141)**	**(9.065)**	**(5.294)**	**(40.662)**	**(36.550)**	***(11,3%)***
Financial income/(expense)	(5.294)	(7.471)	56.858	(5.135)	38.958	12.299	*216,8%*
Profit before income tax	**(42.054)**	**(13.612)**	**(35.207)**	**(10.429)**	**(101.302)**	**(39.038)**	***(159,5%)***
Profits tax	16	8	(77)	(57)	(110)	(6.101)	*98,2%*
Consolidated profit for the period	**(42.038)**	**(13.604)**	**(35.284)**	**(10.486)**	**(101.412)**	**(45.139)**	*(124,7%)*
Profit from non continuing operations	-	-	-	-	-	-	--
Consolidated profit for the period	**(42.038)**	**(13.604)**	**(35.284)**	**(10.486)**	**(101.412)**	**(45.139)**	*(124,7%)*
Profit from minority interests	14	13	14	76	117	3.664	*(96,8%)*
Profit for the period	**(42.024)**	**(13.591)**	**(35.270)**	**(10.410)**	**(101.295)**	**(41.475)**	***(144,2%)***

BALANCE SHEET, Thousands of Euros	FY 2020	FY 2019
NON-CURRENT ASSETS	**262.440**	**319.630**
Inventories and customers	67.355	119.794
Cash and other cash equivalents	21.340	21.068
CURRENT ASSETS	**88.695**	**140.862**
Assets held for sale	--	--
TOTAL ASSETS	**351.135**	**460.492**
NET EQUITY	**(31.974)**	**68.503**
DEFERRED REVENUES	**580**	**870**
Non-current provisions	1.053	1.053
Bank borrowings and other financial liabilities	242.809	211.642
Fixed income securities	17.387	16.149
Other non-current liabilities	27.102	39.025
NON-CURRENT LIABILITIES	**288.351**	**267.869**
Short-term provisions	5.886	6.260
Bank borrowings and other financial liabilities	5.283	28.462
Other current liabilities	83.009	88.528
CURRENT LIABILITIES	**94.178**	**123.250**
Liabilities held for sale	--	--
TOTAL LIABILITIES	**351.135**	**460.492**

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Cash Flow, Millions of Euros	4Q 2020	3Q 2020	2Q 2020	1Q 2020	2020	2019
Result before Taxes	**-42,1**	**-13,6**	**-35,2**	**-10,4**	**-101,3**	**-39,0**
- Amortisation	22,7	4,4	89,2	6,0	122,2	39,9
- Other Adjustments	12,6	11,5	-59,4	6,0	-29,2	-7,4
CASH FLOW FROM OPERATING ACTIVITIES	**-6,8**	**2,3**	**-5,4**	**1,6**	**-8,2**	**-6,5**
- Change in Working Capital	10,2	-4,5	2,4	23,7	31,7	-8,0
(increase)/decrease of inventories	13,8	12,4	6,4	3,6	36,3	-0,2
(increase)/decrease of account receivables	1,4	3,1	-7,8	5,7	2,4	9,1
(increase)/decrease of account payables	-5,1	-19,9	3,7	14,4	-7,0	-16,8
- Investments Activities	-1,4	-1,1	-0,3	-1,1	-3,9	-3,2
Investments	-1,4	-1,1	-0,3	-1,1	-3,9	-4,8
Withdrawals	0,0	0,0	0,0	0,0	0,0	1,6
FREE CASH FLOW	**2,0**	**-3,2**	**-3,4**	**24,1**	**19,6**	**-17,7**

Information and forward-looking statements

The financial and operational information included in this 2020 fiscal year report is based on 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 uncertainties. Therefore, actual results may differ significantly from the forward-looking statements due to various factors, risks and uncertainties, such as economic, competitive, regulatory or commercial factors.
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