First Half 2020 Earnings Release

The 50% fall in the market and COVID-19 mark TUBACEX's results

- **The sales figure for the first half of the year amounts to €282 M, down 12.8% on the same period last year, and the EBITDA stands at €19.8 M, 40.5% less.**
- **These figures are a far cry from TUBACEX's prospects at the start of the year but, even in such an unfavorable environment as the present, the Group still has positive operating results.**
- **This has been possible thanks to the geographic and product diversification and the rapid action plan implemented with a thorough adjustment of costs at all levels.**
- **TUBACEX's sound financial structure guarantees the Group's solvency in the medium and long term.**

Llodio, July 28th, 2020. Today, TUBACEX has presented the results for the first half of the year characterized by a general economic crisis caused by the COVID-19 pandemic, which is particularly affecting the energy sector. The closure of China since January has led to a drop in sales in the power generation market and the lockdown of diverse countries by government order since March and the necessary physical distancing measures have led to a reduction in global activity of 50%. In this situation, the impact of the reduction in global activity has extended throughout the second quarter, significantly affecting the results for this period.

TUBACEX's sales figure for the first half of the year amounts to €282 million, down 12.8% on the same period last year, while the EBITDA stands at €19.8 million, 40.5% less, with a margin of 7.0%. Although the figures are a far cry from TUBACEX's prospects at the start of the year, it must be highlighted that even in such an unfavorable environment as the present, the Group still has positive operating results with reasonable margins. Indeed, the second quarter, which is the most affected by the current situation to date, closed with sales of €128.3 M and an EBIDTA of €7.4 M. This has been possible thanks to the geographic and product diversification and the rapid action plan implemented with a thorough adjustment of costs at all levels.

TUBACEX's CEO, Jesús Esmorís, has said that "the drop in energy consumption as a result of the global recession and the high degree of uncertainty regarding the future evolution of the virus are leading to a reduction in investments by our end-users, along with the cancellation of some orders and delays in the award and kick-off of major projects. This situation has quashed the good prospects we had for 2020 and is forcing us to manage an extremely complicated situation."

It is important to highlight that in view of the global recession and in order to adapt the Group's activities to this scenario, a restructuring plan has been announced that will affect approximately 20% of the workforce, which, together with other adjustment measures taken, will enable the company's costs to be reduced by around €25 M by 2021. The June results, with losses of €8.3 M, incorporate part of the cost associated with this restructuring.

"We have implemented an adjustment plan to adapt our level of activity to the new situation. It has not been easy and, in some cases, we have had to make tough decisions, such as job losses, pay cuts, reduction of overheads and the suspension of non-strategic investments, among others", states Esmorís.

The working capital stands at €208.1 million in June, up €20.9 million on the 2019 year-end, but down €27,8 million with respect to the end of March. On publishing the results for the first quarter of the year, it was already predicted that the working capital would fall throughout the year as it adapted to the current levels of activity, which is borne out by these results.

Sound Financial Structure

The net financial debt amounted to €274.4 M whereby its rise with respect to the close of 2019 is closely related to the increase in working capital. According to TUBACEX's business model, in which products are made to order, the financial debt is closely related to the working capital, most of which has already been sold at a positive net realizable value. The working capital represents 75.8% of the debt, so the company’s structural financial debt excluding the working capital stands at €66.6 M, in line with the figure at the close of 2019.

As has become customary, the Group’s solid financial situation must be highlighted once more. Since the outbreak of the pandemic, TUBACEX’s financial strategy has focused on a dual purpose in order to face this uncertain scenario. On one hand, it has strengthened its cash position. On 30th June, the cash position amounted to €171.8 M. The company has €86 M authorized and available funds in credit lines, of which €68.8 M are long term. This structure guarantees the Group’s solvency in the medium and long term. On the other hand, efforts have been concentrated on extending the debt maturity periods. Therefore, the long-term financial debt at the close of the first half of the year represents 52.4% of the total financial debt, in comparison with 39.6% in December 2019. By taking these actions, liquidity is assured as well as the full operability of the company in such extraordinary circumstances that are determining global business activity, but, above all, its ability to recover immediately when the global market situation allows it, is also assured.

Prospects for the Second Half of the Year

As for the second half of the year, it is impossible to predict the evolution of worldwide activity, which, in turn, will be determined by the evolution of the virus. In light of this situation, the Tubacex Group has set the fundamental goal of not destroying the operating cash position, by maintaining an operating cash flow close to zero and maintaining net financial debt at levels similar to those of previous years.

For the CEO, "TUBACEX's growth and value creation potential remains intact, waiting for this situation to pass and for us to be able to take advantage of the efforts and improvements made in recent years".

Financial figures
€M

	H1 2020	H1 2019	change %	Q2 2020	Q2 2019	change %
Sales	282.0	323.5	-12.8%	128.3	180.0	-28.7%
EBITDA	19.8	33.3	-40.5%	7.4	19.0	-61.0%
EBITDA margin	7.0%	10.3%		5.8%	10.6%	
EBIT	(4.3)	13.3	n.m.	(4.8)	8.8	n.m.
EBIT margin	neg.	4.1%		neg.	4.9%	
Net Profit	(8.3)	5.0	n.m.	(6.7)	3.3	n.m.
Net margin	neg.	1.5%		neg.	1.8%	

	2020.06.30	2019.12.31
Equity Attributable to the Parent	271.1	287.5
Equity / Net Financial Debt	98.7%	113.4%
Working Capital	208.1	187.2
Working Capital / Sales	36.4%	30.5%
Structural Net Financial Debt (1)	66.6	66.3
Total Net Financial Debt	274.7	253.6
NFD/ EBITDA	5.1x	3.8x

neg.: negative
n.m.: not meaningful
(1) Total Net Financial Debt - Working Capital

Key financial figures for the first half of 2020.

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 and Norway 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