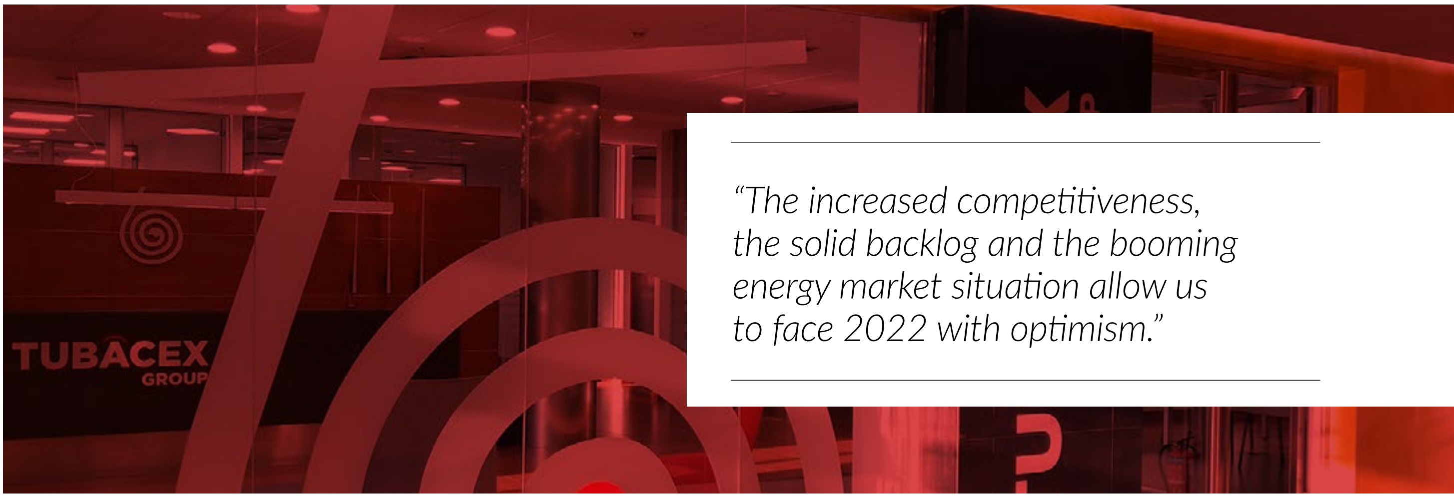
Earnings Release

Q4H QUARTER

2021



"The increased competitiveness, the solid backlog and the booming energy market situation allow us to face 2022 with optimism."

With the results for 2021, we are closing a highly complex two-year period for our Group, due to both internal and external factors. The pandemic caused by COVID-19 led to a global standstill and a brusque fall in activity in all sectors, particularly in those that our products and services target. In 2020, we started a tough adjustment and restructuring process that we have completed this year, not only to adapt to the current economic crisis , but also to position ourselves in light of the structural market change as a result of the energy transition.

Among other measures, we have streamlined the size of the Group and the workforce, adapting it to the new market reality; we have partially limited the effect of inflation on energy and salary costs with the signing of a PPA and a collective agreement; and we have carried out a strict control policy of all the cost items. With these efforts, we have achieved savings in excess of €30 million.

However, we keep improving our commercial positioning as a supplier of advanced solutions. We have continued moving closer to our end-users by signing more than 20 framework agreements. We have consolidated our position as a key supplier in the gas segment. Thanks to this, we have started 2022 with a backlog of €500 million.

The increased competitiveness, the solid backlog and the booming energy market situation allow us to face 2022 with optimism. However, we are prudent in light of external factors that may arise. The greatest uncertainty at the start of this year is high inflation and, particularly, the rise in energy costs. This effect has already had an impact in the last quarter results and will continue to be observed in the next quarter on the backlog already sold. But the increases of prices we are already implementing, will allow to mitigate this effect, so results for 2022 should be higher than those achieved in 2018 and 2019.

We are beginning a new growth phase, along with a change in our market. For this reason, we will present our Strategic Plan in the coming weeks. There is no doubt that society is moving towards decarbonization, but we should keep in mind that the world is growing as is the demand for energy to sustain this growth. The energy transition is a process during which conventional sources of energy must co-exist with cleaner energies. At TUBACEX, we are committed to play a major role in this new scenario. In conventional sources of energy, our knowledge of the most advanced materials enables us to collaborate with our clients to reduce their environmental impact. Furthermore, the categorization of gas and nuclear energy as transitional energy sources enables us to anticipate an expansive cycle in these sectors in the short term. In parallel, and with sights set on the medium term, we are participating in diverse technological projects for the development of new low-emission solutions in the energy sector. Regardless of their origin, all power generation, transport or storage processes require materials that are highly resistant to corrosion, temperature and pressure. This is where we will continue to play a key role, thanks to our firm commitment to R&D and our expertise and knowledge of the most advanced materials.

Jesús Esmorís
CEO

1 Key Financial Figures

Sales for 2021 amounted to €365 million and the EBITDA stood at €17.5 million, with a margin of 4.8%. It should be borne in mind that the annual results for TUBACEX have been affected by the low backlog with which the Company started the year following the low number of orders placed during COVID, and due to the strike at the Spanish plants, lasting almost eight months (ending in October with the signing of a collective agreement that will regulate labor relations until 2025).

It is also noteworthy that the gradual market recovery is enabling a steady improvement in results. This could be appreciated in the results for the third quarter and is once more evident in the last quarter. Thus, sales for the fourth quarter stood at €118.6 million, with an EBITDA of €12.6M, which represents a margin of 10.6% and a return to positive net profit following seven quarters of losses.

These figures not only reflect an improvement on the last quarter of 2020, but also a significant increase with respect to the immediately preceding quarter. This confirms the recovery of the Group's results, having reached their lowest point in the second quarter of the year and now embarking on a period of growth. Furthermore, it must be mentioned that if it was not for the effect of inflation on energy costs and on the value chain in general, the figures for the last quarter would have been even higher.

Looking towards upcoming quarters, it is expected that the upward tendency will continue. In the first quarter of 2022, the effect of the inflationary pressures on the backlog already sold will still be appreciated, but this situation will gradually fall throughout the year as they are passed on to increases in sales prices.

The results for the fourth quarter confirm the recovery and the start of a period of growth.

Financial figures

€M

	FY 2021	FY 2020	% change	Q4 2021	Q4 2020	% change
Sales	365.0	479.6	-23.9%	118.6	90.0	31.7%
EBITDA	17.5	38.1	-54.0%	12.6	11.7	7.4%
EBITDA margin	*4.8%*	*7.9%*		*10.6%*	*13.0%*	
EBIT	(27.3)	(11.9)	n.m.	0.3	(4.7)	n.m.
EBIT margin	*neg.*	*neg.*		*0.2%*	*neg.*	
Net Profit	(32.2)	(25.3)	n.m.	0.2	(12.3)	n.m.
Net margin	*neg.*	*neg.*		*0.1%*	*neg.*	

	31.12.2021	31.12.2020
Equity Attributable to the Parent	197.4	240.9
Equity / Net Financial Debt	58.7%	80.8%
Working Capital	222.5	206.8
Working Capital / Sales	60.9%	43.1%
Structural Net Financial Debt *	113.8	91.4
Total Net Financial Debt	336.2	298.1
NFD/ EBITDA	*19.2x*	*7.8x*

Note: The figures in the attached table differ from those in the Consolidated Income Statement for 2021 and 2020 due to the effect of discontinued operations (sale of Tubos Mecánicos on December 23, 2021), as set out in the prevailing regulation. Same criteria used in previous quarters is maintained to facilitate the financial comparison.

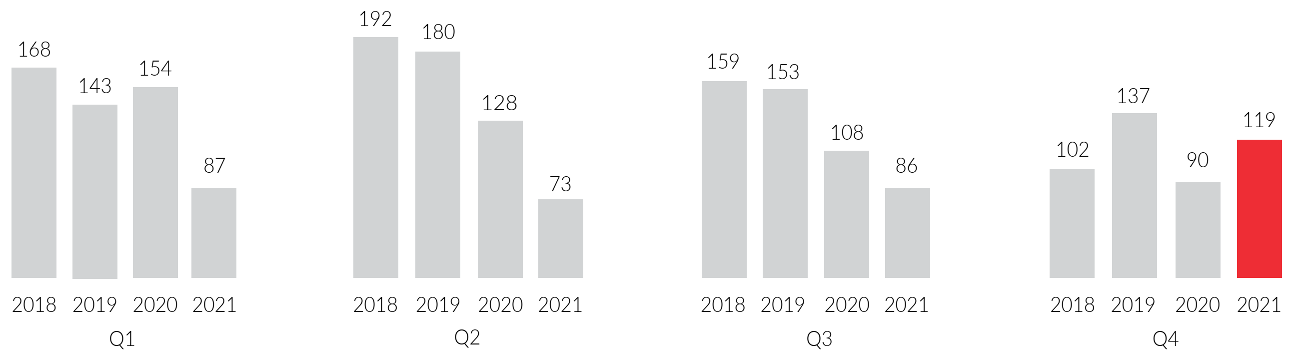
n.m.: Not meaningful
neg.: Negative
* Total Net Financial Debt - Working Capital

As far as the Balance Sheet is concerned, the reduction of €43.4 million in the net equity is mainly due to the combination of three effects: (i) the negative net profit generated; (ii) the amortization of 4 million shares within the framework of the 2020 share buyback program; and (iii) the acquisition of the Group's minority stakes, particularly in India.

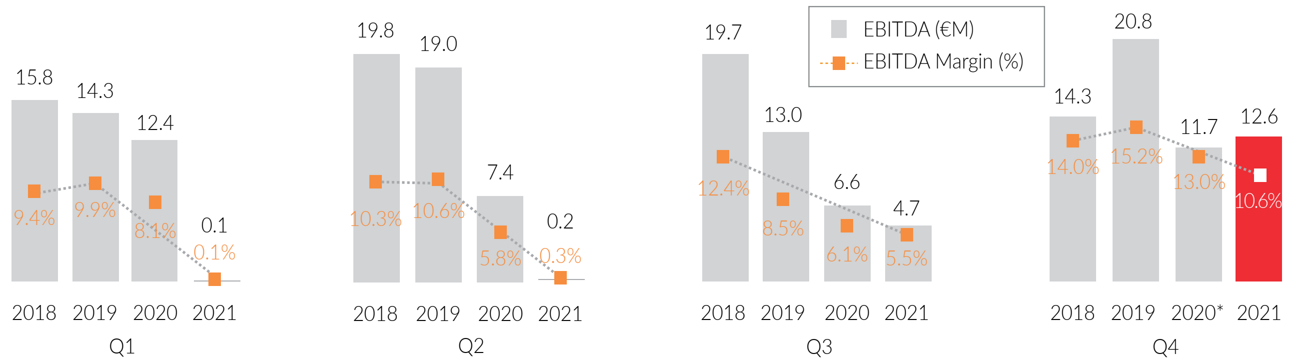
The working capital amounts to €222.5 million, €15.7 million up the figure presented at the end of 2020. The percentage represented over sales stands at 60.9%, as a result of the low activity experienced during the year. However, the ratio is expected to decline to around 30%-35% in 2022, due to the return to normal activity at all of the Group's plants.

The net financial debt figure by the end of the year stands at €336.2 million, which, combined with a very low EBITDA, has led the debt ratio to reach very 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 €158 million and liquidity in excess of €170 million, which guarantees the soundness of the Balance Sheet and covers the maturity of loans until 2024. Furthermore, the foreseeable cash flow generation for the coming quarters thanks to the gradual recommencement of activity in all of the Group's units, the steady improvement in results and the reduction of working capital will enable the net financial debt to be reduced to pre-COVID debt ratios by mid-2022.

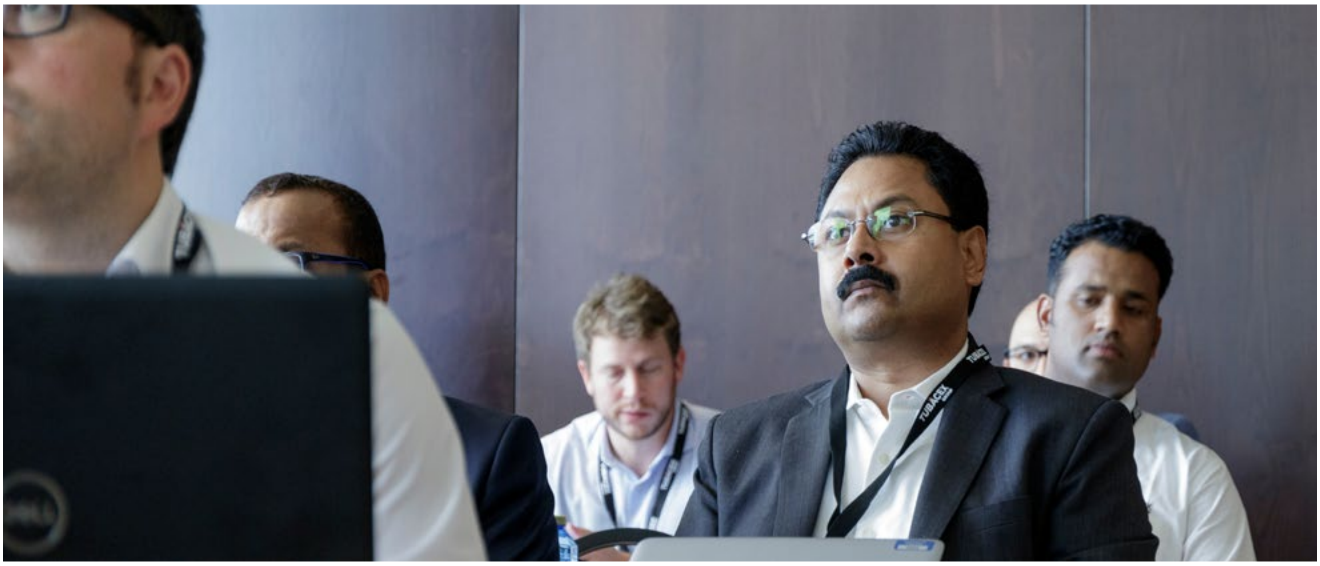
Quarterly evolution of the sales figure
€M



Quarterly evolution of the EBITDA figure
€M



** EBITDA for the last quarter of 2020 includes extraordinary adjustments without cash impact*



2 Business evolution

Following a 2020 marked by a low order intake, a continuous and gradual increase has been observed throughout 2021, which has led to a significant increase in the Group's backlog and its visibility.

Market recovery is general, but is particularly appreciated in the Gas sector, which a significant part of TUBACEX's high value-added products targets, and it is set to play a key role in the energy transition. The positive tendency experienced by the nuclear sector is also significant.

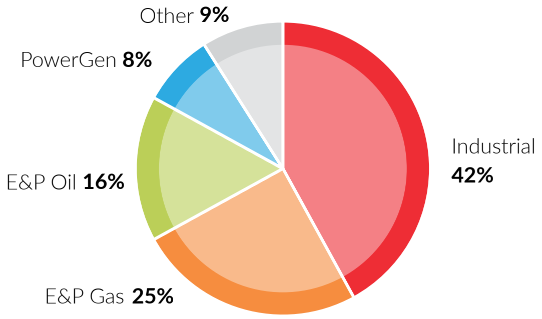
Both energies have been recognized by the European Union as transitional, which means that this positive trend is expected to be maintained and the Group may be able to take advantage of its good positioning in both sectors.

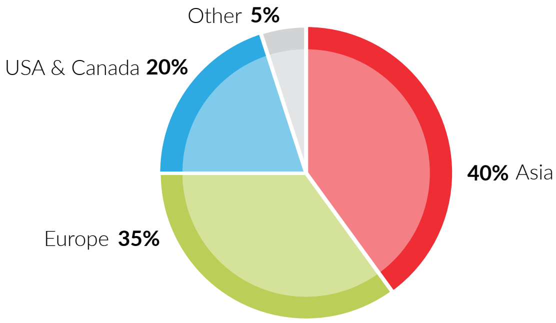
The specific nature of the products and services offered by TUBACEX and their customized design for the projects at which they are targeted means that most of the sales are made to end-users and engineering firms via their respective sales channel. The sales breakdown via this channel is as follows: Gas E&P 25%, Oil E&P 16%, Power Generation 8% and Industrial 42%.

Breakdown by sector

Breakdown of direct sales to engineering firms and end-users
2021

Breakdown by final destination





The pandemic not only caused major restrictions and project cancellations, but also low energy demand prospects. Following this situation, 2021 has been a year of clear improvement. Quotes for **OCTG in CRA** orders have clearly increased and many projects are already in the final award phases. Activity in this segment is mainly related to gas production (Middle East and Russia) and to certain geographic areas associated with oil extraction (Brazil and Guyana) where the positioning of TUBACEX is strong and from where we have started to receive major orders.

The **Offshore/Subsea** segment has continued the positive trend, particularly in the gas sector, where high prices are leading to the relaunch of projects delayed as a result of COVID. The last quarter has witnessed an increase in activity in the Middle East, South-East Asia (mainly Australia and Indonesia) and Africa. Norway and Brazil have been the main areas for investment in 2021 and this tendency is expected to continue this year. Similarly, prospects are positive for Guyana and the Gulf of Mexico in 2022.

As far as TUBACEX is concerned, 2021 has been a record year for orders for umbilicals, wining 3 out of the 4 major projects awarded, which means that 2022 is kicking off with the highest backlog ever in this segment.

As for the rest of the Offshore/Subsea business, thanks to the acquisition of TSS Norway at the end of 2020, the Tubacex Group has an increased presence in one of the main investment hubs, which has given access to new clients that will lead us to offer new higher value-added services and solutions. As a result of this, TSS Norway has signed framework agreements with the main Norwegian EPCs and is present in the most significant projects in the North Sea.

For the **conventional power generation** segment, 2021 has been a year of low activity given the increasing commitment of national governments to energies with lower CO2 emissions. This trend is joined by logistics problems and the collapse, at certain times, of maritime transport which has led to uncertainty in the supply chain in terms of the fulfillment of delivery times and, therefore, the delay in awards and projects. On the other hand, the energy transition and the need to reduce CO2 emissions has put **nuclear energy** at the center of the debate, placing it as a source of transitional energy, thanks to its reliability to offset the instability of renewable energies, and to guarantee the stability of electricity supply. Thanks to its historic positioning in this sector and its expertise, TUBACEX is benefiting from the resurgence of the nuclear market. The Group is certified to supply material for all existing designs of nuclear reactors. Proof of this is that it has received major EDF orders in 2021 through the GNMS platform in which it participates whilst extending its presence in other countries in which Rosatom is playing a major role.

As far as the **Industrial** segment is concerned, the refinery, petrochemical and gas processing activity is increasing worldwide with capacity additions and revamping, strongly sustained by high oil and gas prices. However, given the current inflationary environment, many EPCs with extensive portfolios are blaming the rises in the prices of raw materials and throughout the value chain. As a result, many projects in the planning, FEED or EPC bidding phase are immersed in an economic re-assessment process, leading the hydrocarbon processing industry to face delays in project implementation.

The rest of the sectors started 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 is also backed by the environment of high prices.

From a geographical point of view, Asia is still the Group's main market with 40% 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 assets of in Amega West.

3 TUBACEX on the stock market

Share performance
JAN 21 - DEC 21

At 31st December 2021, the TUBACEX share capital is made up of 128,9782,782 shares, following the amortization of 4 million shares in the last quarter of the year within the framework of the share buyback program carried out in 2020 as an alternative shareholder remuneration channel to dividends following a year in which the company's net profit was negative.

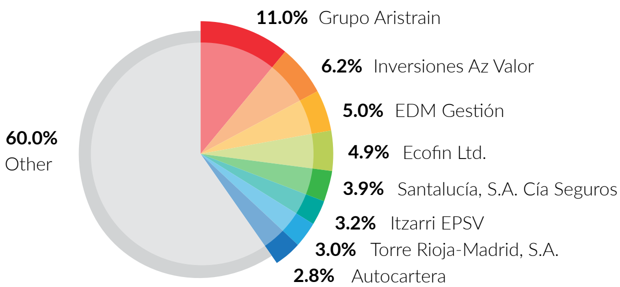
The TUBACEX share has performed positively during 2021, closing the year at €1.502 per share, representing a market capitalization of €193.7 million, up 6.3% on the €182.2 million at the close of 2020.

As for share liquidity, 78.4 million shares have been traded on the regulated market during the year, compared with 88.4 million traded in 2020.

Shareholders
31.12.2021

There has been no change in the structure of TUBACEX's significant shareholders in 2021. The only modification has been in the stake held by EDM, which notified the CNMV of the reduction of its significant participation below the threshold of 5%, moving from a position of 5.02% to 4.97% after the close of the third quarter.

As recorded in the CNMV, the shareholder structure is as follows:



Source: CNMV (Spanish Securities Exchange Commission)

4 Financial figures

Consolidated balance sheet
€M

	31.12.2021	31.12.2020	% change
Intangible assets	114.1	115.6	-1.3%
Tangible assets	278.1	308.5	-9.9%
Financial assets	90.6	80.3	12.8%
Non-current assets	**482.8**	504.4	**-4.3%**
Inventories	313.5	263.5	19.0%
Receivables	60.2	57.4	4.8%
Other account receivables	24.7	21.4	15.4%
Other current assets	2.4	5.6	-57.1%
Derivative financial instruments	0.2	0.7	-73.7%
Cash and equivalents	158.0	185.9	-15.0%
Current assets	**559.0**	534.5	**4.6%**
TOTAL ASSETS	**1,041.8**	**1,038.9**	**0.3%**
Equity, Group Share	197.4	240.9	-18.0%
Minority interests	51.8	57.6	-10.1%
Equity	**249.2**	298.4	**-16.5%**
Interest-bearing debt	274.0	252.5	8.5%
Derivative financial instruments	0.0	0.6	-98.5%
Provisions and other	64.5	65.2	-1.1%
Non-current liabilities	**338.5**	318.4	**6.3%**
Interest-bearing debt	220.2	231.5	-4.9%
Derivative financial instruments	1.6	1.0	62.8%
Trade and other payables	151.2	114.1	32.5%
Other current liabilities	81.1	75.5	7.5%
Current liabilities	**454.1**	422.1	**7.6%**
TOTAL EQUITY AND LIABILITIES	**1,041.8**	**1,038.9**	**0.3%**

Consolidated income statement
€M

	Q4 2021	Q4 2020	% change	FY 2021	FY 2020	% change
Sales	118.6	90.0	31.7%	365.0	479.6	-23.9%
Change in inventories	(7.5)	(2.1)	n.m.	(7.0)	(20.2)	-65.1%
Other income	3.6	3.6	1.8%	15.0	13.8	8.6%
Cost of materials	(39.0)	(52.5)	-25.8%	(155.4)	(225.1)	-31.0%
Personnel expenses	(31.3)	(37.4)	-16.5%	(104.7)	(133.5)	-21.6%
Other operating costs	(31.9)	0.1	n.m.	(95.3)	(86.6)	10.1%
Negative goodwill	-	10.1		-	10.1	
EBITDA	**12.6**	**11.7**	**7.4%**	**17.5**	**38.1**	**-54.0%**
EBITDA Margin	*10.6%*	*13.0%*		*4.8%*	*7.9%*	
Amortization	(12.3)	(16.3)	-24.9%	(44.8)	(50.0)	-10.4%
EBIT	**0.3**	**(4.7)**	**n.m.**	**(27.3)**	**(11.9)**	**n.m.**
EBIT Margin	*0.2%*	*neg.*		*neg.*	*neg.*	
Financial Result	(2.9)	(2.8)	4.9%	(12.1)	(12.6)	-3.4%
Exchange differences	0.5	(1.1)	n.m.	0.9	(1.8)	n.m.
Net Income, Group Share	**0.2**	**(12.3)**	**n.m.**	**(32.2)**	**(25.3)**	**27.3%**
Net Margin	*0.1%*	*neg.*		*neg.*	*neg.*	

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