

Results for the First Quarter 2018



TUBACEX sales increased by 28% in the first quarter 2018

- Sales in the first quarter 2018 amounted to €168.5 million, representing a 28.3% increase in relation to the same period in 2017; while EBITDA stood at €15.8 million, 21.0% higher.
- Although the market has not yet achieved a consolidated recovery in terms of volumes or prices, thanks to its positioning TUBACEX is showing the first signs of recovery.
- We expect an operating profit increase from the second quarter 2018, along with a subsequent progressive debt reduction down to a ratio close to 3x over EBITDA at the year end.
- TUBACEX is efficiently transforming the industrial structure of the Group allocating the manufacture of different products according to each plant's capabilities

Llodio, May 8, 2018. Although the market is still weak in terms of volumes and prices, TUBACEX is showing the first signs of recovery thanks to its radically different positioning in relation to its pre-crisis situation. As the company has reported, the efforts made by the management, sales and production teams in recent years enable us to address this financial year from a favorable position regarding order backlog, with sales results in the region of €168.5 million in the first quarter 2018. This represents an increase of 28.3% over the same period in 2017; while EBITDA stood at €15.8 million, 21.0% higher. Moreover, TUBACEX has recorded a profit of €2.9 million before tax in the first quarter 2018.

These results are the outcome of the company's endeavor to adapt our cost structure to the current environment. According to Jesús Esmoris, TUBACEX CEO “we are efficiently transforming the industrial structure of the Group allocating the manufacture of different products according to each plant's capabilities”. This transformation involves major investments in our Indian plant to undertake part of the production manufactured in European plants, as part of the company's strategy to dedicate European and American plants to high value-added solutions, and Asian plants to the manufacture of conventional products. In this context, the company is making significant investments in the USA to reduce exports of products from other Group plants, thus increasing local manufacturing, while reducing our exposure to possible protectionist policies.

“On the other hand, thanks to the development of our R&D investments we continue to expand our product and service range, positioning ourselves as a leading supplier of advanced technological solutions”, added Esmoris. In this regard, it is worth highlighting TUBACEX capacity to offer a comprehensive range of tubular solutions for complete piping systems thanks to the productive synergies of the Group's plants and our unique sales structure.

The net financial debt amounts to €263.1 million with a net financial debt over EBITDA ratio of 9.2x. This is a temporary increase due to the weak market situation and high level of working capital as a result of major projects in the backlog. We would like to mention that the stocks related to these orders exceed €60 million and are fully sold stock with a very high profit margin.

During the second half of 2018, Tubacex predicts an important deleveraging, as the portfolio is progressively performed and results improve, thereby leading to a gradual reduction in the net debt over EBITDA ratio, to reach a level close to 3x at year end. Our strong cash flow position allows debt maturities to be met for the next 3 years, even in the worst case scenario.

Regarding forthcoming months, the company does not expect significant market changes, as the announcement of increased investment will need more time to

result in greater demand. However, “based on the progress in the implementation of our current backlog, we hope to maintain this steady improvement trend quarter after quarter”, pointed Esmoris.

TUBACEX by market

The Oil and Gas extraction and production sector accounts for 47% of the Group sales through this channel, thanks mainly to the major order backlog for OCTG and umbilicals. Regarding OCTG, TUBACEX is currently serving an order for the Middle East which covers almost the entire installed capacity for the next two years. Furthermore, it is worth highlighting the good performance of tubes for Umbilicals with a major order backlog for this year and excellent project award prospects for the short/medium term.

The electricity generation sector is undergoing a normalization process after the halt of 2017, and now represents 17% of sales. Order intake during the first quarter has noticeably improved thanks to the company positioning which continues to improve in its service offer with the development of a new generation of Advanced Ultra Super Critical Boilers, capable of operating at higher temperatures and pressures to achieve greater efficiency while producing less CO2 emissions.

In the Mid and Downstream sector, a major refinery in China has placed an order with TUBACEX to be delivered by four Group companies, which ratifies our strategy based on the expansion of our products and service portfolio in addition to the sale of integral tubular solutions.

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 and 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.

Financial figures
€M

	Q1 2018	Q1 2017	change %
Sales	168.5	131.3	28.3%
EBITDA	15.8	13.0	21.0%
EBITDA margin	9.4%	9.9%	
EBIT	6.5	4.6	40.5%
EBIT margin	3.9%	3.5%	
Profit before taxes	2.9	2.8	2.4%
Margin	1.7%	2.2%	

	2018/03/31	2017/12/31
Working Capital	217.1	193.0
Working Capital / Sales	41.1%	39.4%
Equity	282.6	281.8
Equity / Net Financial Debt	107.4%	111.2%
Net Financial Debt	263.1	253.5
NFD/ EBITDA	9.2x	9.8x

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