

## Results for the first half of 2017



# TUBACEX obtains profit of 1.9 million euros in a still very weak market environment

- The market in which TUBACEX products and services operate is at one of its lowest ever levels with delays in the award of projects.
- Raw materials are at historic low prices, with falls of 7.5% and the oil price stands at 15.7% below the close of 2016.
- In this context, the sales figure for the first half of the year stands at €241.4 M, 7.7% less than the same period last year, and an EBITDA of €17.6 M, down 11.7%.
- The TUBACEX strategy based on a good positioning in high value-added products enables it to have a historic backlog of €700 million to be supplied over the next 3 years.
- The Group is financially sound which enables it to guarantee its debt maturity dates over the next 3 years.

**Llodio, July 27, 2017.** The market in which TUBACEX products and services operate is at historically low levels of activity and with delays in the award of certain projects, which further hinders recovery. However, the Company's strategy to boost its position in high value-added products and services, offering increasingly broader solutions, is enabling it to access and obtain diverse specific projects, closing the first half of the year with a net profit of €1.9 million.

The evolution of raw materials has presented a downward trend in the first six months of the year. More specifically, nickel closed June at a price 7.5% lower than that of 2016, whilst molybdenum and chromium have also reverted their growth trend, reporting sharp falls. The oil price has also fallen once more,

standing at 15.7% below the close of 2016. In this context, the TUBACEX sales figure for the first half of the year stands at €241.4 million, which is 7.7% lower than that of the same period last year, an EBITDA of €17.6 million, down 11.7%.

Jesús Esmorís, CEO of TUBACEX, declares that "in spite of the weakness of the market, the efforts in recent years to accelerate our positioning in Premium products is reaping its rewards".

The TUBACEX strategy based on the promotion of high value-added products has provided it with a portfolio of Premium products of €700 million to be supplied over the forthcoming three years, the highest figure ever. "For the first time, this portfolio includes a large amount of engineering solutions for the end user, marking a quantitative leap in our business model", according to Esmorís.

It is worth highlighting that direct sales to engineering firms and the end-user are still the Group's leading sales channel and represented 85% of the order intake in the first half of the year. "The path we embarked on some years ago to become a global supplier of integrated tubular solutions is correct and we continue to progress in this direction", concludes the CEO of TUBACEX.

In this respect, important agreements can be highlighted, such as that with the Chinese company, Hengli Petrochemical, for the supply of tubes for what will be one of the world's largest refineries. It is TUBACEX's largest order for an end-user in the Asian country.

The net financial debt over EBITDA ratio continues to stand temporarily at 7.5x due to two fundamental events: first of all, due to the acquisition of raw material to cover the current order backlog and, secondly, due to the increase in stock of the end product in order to have the capacity to offer clients the appropriate product at the right time and place, in line with the TUBACEX Service Solutions (TSS) strategy. The company expects to reduce this ratio to under 3x by the close of 2018.

With respect to the forecast, TUBACEX believes that the worst part of the crisis has passed and expects a gradual improvement in order intake during the

second half of the year and a gradual evolution of the results thanks to the current portfolio, which will be reflected in 2018 and 2019.

### **Tubacex on the Stock Market**

During the first half of the year, the TUBACEX share has performed extremely well with a revaluation of 22.2%, closing on 30th June at €3.335 per share.

Market capitalization amounts to €443.5 million, compared with €363 million at the close of 2016.

### **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

|               | <u>H1 2017</u> | <u>H1 2016</u> | <u>change %</u> | <u>Q2 2017</u> | <u>Q2 2016</u> | <u>change %</u> |
|---------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| Sales         | 241.4          | 261.5          | -7.7%           | 110.1          | 140.2          | -21.5%          |
| EBITDA        | 17.6           | 19.9           | -11.7%          | 4.6            | 12.2           | -62.5%          |
| EBITDA margin | 7.3%           | 7.6%           |                 | 4.1%           | 8.7%           |                 |
| EBIT          | 0.8            | 3.1            | -73.7%          | (3.8)          | 3.7            | n.m.            |
| EBIT margin   | 0.3%           | 1.2%           |                 | neg.           | 2.7%           |                 |
| Net Profit    | 1.9            | 1.7            | 9.0%            | (0.9)          | 2.2            | n.m.            |
| Net margin    | 0.8%           | 0.7%           |                 | neg.           | 1.6%           |                 |

*n.m.: Not meaningful.  
neg.: Negative.*

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