

## 2018 Full Year Results



### **TUBACEX closed 2018 with an EBIDTA of €69,6 million, the highest in the last decade**

- In 2018, sales amounted to €677.3 million, 38.1% higher than in the previous year, and the profit figure to €17.4 million.
- Even though the market has not yet recovered, a commitment to high technological value products and services combined with recent strategic partnerships forged by the company in Egypt, India and Abu Dhabi, are enabling TUBACEX to emerge stronger from the longest crisis in the oil sector.
- The net financial debt ratio over EBITDA continues to be reduced and amounts to 3.7x, compared to 9.8x registered at the close of 2017.
- TUBACEX expects a strong expansion for 2020 and 2021.

**Llodio, February 28, 2019.** TUBACEX has reported its financial results for the fiscal year 2018 today, with an EBITDA of €69,6 million, which is the highest since 2008 and represents 2.7 times the result obtained in the previous year. Sales amounted to €677.3 m, rising 38.1% over the 2017 figure and with a profit figure of €17.4 million.

TUBACEX has continued to improve its positioning in key sectors with the establishment of three important strategic alliances and partnerships in high-growth markets. In this context, it is worth highlighting our alliance with the company Tubes 2000 for the development of nuclear energy in Egypt, our agreement signed with the Indian company Midhani to handle energy growth in India and the recently announced Joint Venture with Senaat, Abu Dhabi's state-

owned investment group, for the deployment of Oil & Gas projects in the Middle East. This is one of the regions with the largest resources of Oil & Gas, which is currently engaged in a growth plan.

These three alliances, along with a firm commitment to develop high technological value products and services are enabling TUBACEX to emerge stronger from the longest crisis in the oil sector.

Jesús Esmorís, CEO of TUBACEX, has welcomed these results in a very positive light, “we can say without a doubt that we are emerging from the longest crisis in the oil sector with a reinforced structure that will allow us to take advantage of the growth during the coming years”. Moreover, these results “show our ambition to become the leading supplier of stainless steel and high nickel alloy tubular solutions”.

A key goal for the TUBACEX Group is the development of new businesses. “This effort allows us to register various patents which we hope to be able to present to the market between 2019 and 2020 and which will continue to drive our growth as a leading supplier of tubular solutions”, added Esmorís.

Working capital for the year closed at €221.2 million, €28.2 million more than at the end of 2017, due to an increase of almost €60 million in the Group's stocks as a result of two factors: higher nickel stock and an increase in products in progress. The first factor is directly linked to the purchased and unconsumed nickel corresponding to the currently suspended OCTG project for Iran, which will be allocated to various projects during 2019. Regarding the second factor, the Group began umbilical tubes pre-manufacturing during the last quarter of the year with the aim of boosting competitiveness and reducing delivery times. This strategy has enabled TUBACEX to achieve significant orders for this tube at the end of 2018. Both factors have an extraordinary effect of more than €30 million on the working capital, which the company expects to correct throughout 2019.

The net financial debt amounts to €255.4 million, which represents an increase of €1.9 million with respect to the end of 2017. It should be emphasized that due to the nature of our products which are designed for specific projects, TUBACEX products are made to order. As a result, our net financial debt is closely linked to the working capital which is mostly sold at a net positive realization value. In fact, working capital represents 86.6% of debt and, as mentioned above, without the extraordinary effects on working capital, net financial debt would have been around €225.0 million.

Furthermore, the net financial debt ratio over EBITDA continues to be significantly reduced and amounts to 3.7x, compared to 9.8x registered at the close of 2017. The Group expects to maintain this gradual improvement trend until reaching its strategic objective of 3x.

Regarding future prospects, the CEO of TUBACEX announced that during 2019 “a large number of investment projects will receive the go ahead, anticipating a strong expansion for the Company in 2020 and 2021”; and also added that the Company is “in the final award phases of several singular, high value-added multi-annual projects, which along with our strategic alliances enable us to be optimistic about the level of orders to be won this year which we hope to be record-breaking. Thanks to this, we can close the current fiscal year with the highest order backlog and visibility in the history of the Company”.

#### Key financial figures 2018

Financial figures	2018	2017	change %	Q4 2018	Q4 2017	change %
<b>CM</b>						
Sales	677.3	490.4	38.1%	157.4	119.8	31.4%
EBITDA	69.6	23.9	168.2%	14.3	1.7	n.m.
EBITDA margin	10.3%	5.3%		9.1%	1.3%	
EBIT	34.5	(28.3)	n.m.	6.1	(28.5)	n.m.
EBIT margin	5.1%	neg.		3.9%	neg.	
Profit before taxes	19.9	(39.3)	n.m.	2.9	(32.5)	n.m.
Margin	2.9%	neg.		1.8%	neg.	
Net Profit	17.4	(39.7)	n.m.	3.0	(39.1)	n.m.
Net margin	2.6%	neg.		3.1%	neg.	

## TUBACEX by market

The direct engineering and end user sales channel still stands as the main sales channel concentrating 73% of the Group's turnover compared with the distribution channel. This indicator reflects the Company has successfully approached end users with high technological value products.

The Oil&Gas Extraction and Production sector accounts for 52% of the Group sales through this channel, with 41% corresponding to Gas and 11% to Oil. This significant percentage is mainly the result of high production volumes in OCTG and tubes for Umbilicals. The OCTG tube has undergone a clear increase in sales in 2018 thanks to Iran's project, supplied from March to November and currently on hold. Nevertheless, the Company expects to obtain significant orders winning major contracts in the Middle East throughout the current year.



Regarding electricity generation from fossil fuels, normalization after adjustment in 2017 continues with China as a spearhead, where TUBACEX Group has participated in several projects. In addition, it is worth highlighting the improvement in commercial positioning in India and South Korea, where significant growth is expected in the coming years. TUBACEX has developed new advanced steels which combined with Shot Peening technology to improve resistance, are currently the best solution for this demanding market. With these initiatives, the Company promotes the sustainability of the energy sector achieving a reduction in CO<sub>2</sub> emissions.

The highlights of the nuclear sector include the joint venture with the Russian company Tubes 2000 to co-analyze lines of collaboration along with the Egyptian Government, to supply products and services for the four units of the El Dabaa nuclear project.

The **Mid and Downstream** sector has shown partial recovery in terms of new project awards. Specifically, the tube for refinery furnaces, in which TUBACEX is the market leader, improved in 2018 with major growth in the Chinese market.

### **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. [www.tubacex.com](http://www.tubacex.com)