

Results for the First Quarter 2019



TUBACEX obtains profit of €1.8 million in a quarter marked by the market recovery

- Sales for the first quarter of the year amounted to €143.5 million, with an EBITDA of €14.3 million and an EBITDA margin of 9.9%.
- TUBACEX has a solid financial structure with a cash flow in excess of €150 million.
- TUBACEX is in the final award phase of several unique, multi-year projects with high added value, both in the gas and power generation sectors.
- The year has begun with a gradual recovery, with very good prospects in high value-added product segments and record intake for umbilical tubes.
- In terms of results, a similar year to that of 2018 is expected, with the possibility of closing the year with the company's highest ever portfolio, which will have a highly positive impact on invoicing and results for the period 2020 - 2022.

Llodio, May 6, 2019. Today, TUBACEX has presented its results for the first quarter of 2019 to the CNMV, in which it has obtained sales of €143.5 million, down 14.8% on the same period for the previous year. Profit stood at €1.8 million at the beginning of a year marked by the market recovery, with very good prospects in high value-added product segments and record intake for umbilical tubes.

This overall improvement has led to an increase in operating leverage ratios, which has enabled the EBITDA margin to be increased to 9.9%, with an EBITDA of €14.3 million, down 9.5% on the same period in 2018.

Therefore, following four years of low investment activity, this year has kicked off with a rise in energy and raw materials prices, together with the reactivation of investment activity and the subsequent recovery in order intake, which has enabled TUBACEX to reach record monthly intake figures that have not been seen since the beginning of the crisis in the sector. More specifically, in the Subsea segment, the company currently has the highest portfolio for umbilical tubes, one of the premium products used in offshore wells.

According to Jesús Esmorís, CEO of TUBACEX, “we foresee a gradual and overall recovery of the target markets for our applications, which will enable us to close the year with results in line with those for 2018 and the highest portfolio in the company's history”. This backlog will be linked to the good positioning of TUBACEX in key regions, where the award of several unique, multi-annual projects with high added value are expected, which “will have a highly positive impact on invoicing and results for the period 2020 - 2022”.

The ratio of net financial debt over EBITDA stands at 4.2x, but TUBACEX expects to reduce it over the year to reach between 3 and 4x by the end of the year. This ratio is closely linked to the increase in working capital, as well as two extraordinary cash outflows in the first quarter of 2019.

The working capital closed March at €244.4 million, up €22.2 million on the close of 2018. This increase is due to three reasons: the nickel stocks for an important OCTG project canceled at the end of 2018 and which will be assigned to diverse projects in 2019; the pre-manufacturing of slabs for the umbilical tube sector during the last quarter of 2018, which has enabled competitiveness to be increased and delivery times reduced, thanks to which record orders for this product have been received; and finally, the overall increase in activity in all units of the group.

On the other hand, the two extraordinary cash outflows, which have amounted to €15 million, correspond to the acquisition of the remaining 35% of the Italian company, IBF, as well as the payment of a dividend of €0.023 per share, chargeable to the results for 2018.

It is worth remembering that TUBACEX products are made to order, so the financial debt is closely related to the working capital, which is mostly sold at a net positive realization value. The working capital represents 87.8% of the debt, so the company's structural financial debt without including the working capital stands at €42.4 million.

TUBACEX has a solid financial structure with a high cash flow in excess of €150 million, which will enable it to face maturities over the next three years, even in the worst scenario.

Gradual and overall recovery

The CEO of TUBACEX, Jesus Esmorís, points out that “we are still immersed in the final award phases of several important, multi-year projects diversified by sectors” which will offer important visibility over the forthcoming years.

To win these projects, the three strategic alliances signed in the final months are proving to be essential. The letter of intent with the Egyptian Government for the development of nuclear energy in Egypt, the alliance with the Indian company, Midhani, to handle energy growth in India and the Joint Venture with Senaat, Abu Dhabi's state-owned investment group, for the development of Oil&Gas projects in the Middle East.

These three alliances not only bring TUBACEX closer to the end user and allow us to diversify its portfolio, but are also a sign of our ambition to become the leading supplier of high-alloy tubular solutions.

In addition, the company has fostered organic and inorganic growth in key regions. “Construction of our second production plant in Oklahoma (USA) reinforces the strategic commitment to the North American market, with special impact on the aeronautical and aerospace sector”, pointed out Esmorís. This is joined by the three MOBU Group plants in Saudi Arabia, Dubai and Norway, acquired within the framework of the alliance with SENAAT, which strengthens the TUBACEX

positioning in three of the world's most important energy hubs and allows it to offer well repair and maintenance services for the first time ever.

	<u>Q1 2019</u>	<u>Q1 2018</u>	<u>change %</u>
Sales	143.5	168.5	-14.8%
EBITDA	14.3	15.8	-9.5%
EBITDA margin	9.9%	9.4%	
EBIT	4.5	6.5	-31.2%
EBIT margin	3.1%	3.9%	
Net Profit	1.8	2.4	-25.5%
Net margin	1.2%	1.4%	

	<u>2019.03.31</u>	<u>2018.12.31</u>	
Equity	283.6	274.4	
Equity / Net Financial Debt	98.9%	107.8%	
Working Capital	244.4	222.2	
Working Capital / Sales	37.5%	32.8%	
Structural Net Financial Debt ¹	42.4	32.2	
Total Net Financial Debt	286.8	254.5	
NFD/ EBITDA	4.2x	3.7x	(1) Total Net Financial Debt - Working Capital

Key financial figures for the first quarter of 2019

TUBACEX by market

From a geographic viewpoint, Asia remains the Group's main market with 42% of sales due to its high exposure to gas extraction E&P segment as well as to power generation. As growth projections in this region are high for the forthcoming years, the Group keeps on reinforcing its industrial and commercial presence in this area. It is also worth mentioning the increase in the weight of the North American market, which represents 21% of turnover, thanks mainly to the good performance of the North American subsidiary of TUBACEX devoted to the aeronautical and aerospace sector.

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 Nobu 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