

## Results January - September 2016



### **The market share increase in premium products enables TUBACEX to withstand the crisis**

- The increase in the market share of value-added products and the continuous improvement in operations and management are enabling the Group to successfully manage an unprecedented crisis in the Oil&Gas sector.
- Sales for the first nine months of the year amounted to 366.2 million euros, down 11.7% on the same period for last year and the EBITDA stood at 30.4 million euros.
- However, the EBITDA for the third quarter has risen by 29.6%, reaching 10.5 million euros, which is 10.1% over sales, whereby this is the third quarter in a row with an increase.
- In spite of the fact that the market environment is extremely unfavorable, the strategy followed by TUBACEX has enabled it to close the first nine months of the year with a net positive profit of 3.3 million euros
- TUBACEX continues to be financially sound to face the financial needs of the forthcoming 3-4 years, even in the worst case scenario.

**Llodio, 8th November 2016** In a market that continues to be extremely unfavorable, TUBACEX is increasing its market share in high value-added Premium products, and is significantly improving operationally. Its sales in the first nine months of the year have increased to €366.2M, which represents 11.7% less than in the same period in 2015, in an environment of global crisis that is affecting the oil sector in particular. The gross operating result (EBITDA) is €30.4M, down 27.2%.

However, the EBITDA for the third quarter has grown by 29.6%, standing at €10.5M, which is the third consecutive quarter of increased margin and a return to double digits following four quarters below this figure. Only the EBITDA of the third quarter stands at 10.1%, the highest for the past year.

In spite of the fact that the market environment is extremely unfavorable, the strategy followed by TUBACEX has enabled it to close the first nine months of the year with a net positive profit of 3.3 million euros. According to Jesús Esmorís, CEO of TUBACEX, "we are working in three key areas: product improvement, operational improvement and management excellence, and in cost adjustment to the new level of sales, considering that they are 30% below the market prior to the crisis".

The situation in the sector is not showing any signs of recovery in the short time. In the past year, the leading oil companies have cut their investments drastically to cushion the impact, focusing their efforts on making their operations gain in terms of efficiency. Putting investments on hold has negatively affected manufacturers like TUBACEX, which may suffer the consequences over the forthcoming two or three years, in spite of the stability that the price of raw materials and oil began to show.

It is worth highlighting that the Group continues to be financially sound, which enables it to face the financial needs of the forthcoming 3-4 years, even in the worst case scenario. The ratio of net financial debt over EBITDA temporarily stands at 5.9x as a result of the purchase of two strategic companies in Italy and India last year. In spite of this, TUBACEX maintains its forecast of reducing this ratio and achieving the strategic target of 3x in the 2017 financial year.

"We are accelerating our strategic investments because we believe in the future growth potential of our results". Proof of this is the recently signed agreement to create a Joint Venture with the Japanese company Awaji Materia to manufacture special stainless steel components at its factory in Thailand.

The Group's forecasts for the last quarter of the year are similar to those of the third quarter, "characterized by a better invoiced mix thanks to the Premium orders obtained but with a small volume and price pressure in the rest of the products", according to Esmorís. "Our objective is still to close the year with a positive cash flow", he concluded.

TUBACEX continues working to be a global supplier of tubular solutions, which requires measures aimed at growth in services, promotion in R&D&I, reinforcement of its commercial position or diversification towards other sources of energy, among others.

#### **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.

## Key Financial Figures

### FINANCIAL FIGURES

€ M

	<u>9M 2016</u>	<u>9M 2015</u>	<u>change %</u>	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>change %</u>
Sales	366.2	414.5	-11.7%	104.6	112.0	-6.6%
EBITDA	30.4	41.8	-27.2%	10.5	8.1	29.6%
EBITDA margin	8.3%	10.1%		10.1%	7.3%	
EBIT	6.9	19.8	-65.1%	3.8	1.9	98.2%
EBIT margin	1.9%	4.8%		3.6%	1.7%	
Net Profit	3.3	14.1	-76.4%	1.6	0.1	n.m.
Margin	0.9%	3.4%		1.5%	0.1%	

n.m.: not meaningful

	<u>2016/09/30</u>	<u>2015/12/31</u>
Working Capital	203.0	210.1
Working Capital / Sales	41.8%	39.3%
Equity	315.3	317.5
Equity / Net Financial Debt	141.8%	144.0%
Net Financial Debt	222.3	220.5
NFD/ EBITDA	5.9x	4.5x

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