

Results January - September 2017



TUBACEX secures a profit of €1.1 million in spite of the unprecedented crisis in the sector

- The Oil&Gas sector is facing continued reductions in investments, with falls in volumes and prices.
- In this context, TUBACEX sales figures for the first nine months of the year have risen to €370.5 million, an increase of 1.2% over the same period last year, and an EBITDA of €24.2 million, down 20.5%.
- 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 first TUBACEX sales channel continues to be engineering and the end client, which represents 85% of order intake.
- The cash flow position allows debt maturities to be met for the next 3-4 years, even in the worst case scenario.

Llodio, 15 November, 2017. The continued reduction in investments throughout the entire value chain of the Oil&Gas sector is leading to a significant fall in volumes and serious pressure on prices. This situation has led to a dramatic reduction in projects awarded in this sector, which has had an impact on demand over the next few months. In such a depressed market context, TUBACEX has managed to achieve a positive net profit of €1.1 million between January and September.

The company's good positioning and the increase in its market share in the highest value-added segments is enabling it to withstand the present situation. Thus, in the first nine months of the year sales increased to €370.5 million, up 1.2% on the same period last year. The EBITDA was €24.2 million, a reduction of 20.5%.

Jesús Esmorís, CEO of TUBACEX, states that “the gradual increase in our market share in higher value-added products, operational improvements and constant efforts to control costs are our pillars in order to maintain our results and enable us to present positive net profit even in the current market environment”.

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. In this regard, it is worth highlighting that the company will receive an advance payment in the coming weeks of €55.6 million for one of its multi-year, high value-added projects, the production of which will have an important impact on the second half of the year but whose invoicing will be concentrated over 2018, 2019 and 2020.

Bearing in mind this advance payment, the net financial debt will amount to €224.3 million, with a ratio of 7.8x the EBITDA. This high debt ratio is temporary and has been prompted by the acquisition and integration of two strategic companies in 2015 along with an increase in working capital, which amounts to €232.1 million, meaning an increase of €48.9 million with respect to the year end. This is due to two factors: on the one hand, to the opening of new Tubacex Service Solutions distribution centers; and on the other, to the production of high value-added projects.

TUBACEX expects that the debt ratio will fall corresponding to progress in the execution of the strategic projects order backlog and that it will achieve 3x the objectives over the next year. On the other hand, the company's cash flow

position ensures that it is able to face its debt deadlines for the next 3-4 years, even in the worst scenario.

TUBACEX does not foresee any significant change in the market over the short-term. According to Esmorís, “the current level of investment in our sector is not sustainable so signs of recovery should be seen throughout 2018. Fortunately, until this recovery arrives, our current portfolio of premium products enables us to anticipate a significant improvement in results for the coming quarters.”

Sales channels and products

The first TUBACEX sales channel continues to be engineering and the end client, which represents 85% of order intake. By geographical area, Asia represents 55% of sales and high demand growth rates are expected in this continent over the next few years.

By product, TUBACEX continues to increase its presence in the umbilical offshore tubes market and expects to close the year with record invoicing figures in this sector. On the other hand, TUBACEX is developing a new generation of supercritical boilers which it is hoped will be well received in the Asian continent.

TUBACEX on the stock market

Between January and September of this year, the TUBACEX share has performed extremely well with a revaluation of 17.4%, closing on 30th September at €3,205 per share.

Likewise, market capitalization amounts to €426.2 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

	9M 2017	9M 2016	change %	Q3 2017	Q3 2016	change %
Sales	370.5	366.2	1.2%	129.1 ⁽¹⁾	104.6	23.4%
EBITDA	24.2	30.4	-20.5%	6.6	10.5	-37.2%
EBITDA margin	6.5%	8.3%		5.1%	10.1%	
EBIT	0.3	6.9	n.m.	(0.5)	3.8	n.m.
EBIT margin	0.1%	1.9%		neg.	3.6%	
Net Profit	1.1	3.3	-66.4%	(0.8)	1.6	n.m.
Net margin	0.3%	0.9%		neg.	1.5%	

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