Results for the first half of 2018

TUBACEX's sales rose 49.4% to reach €360.6 million Euro

- **Three years after the worst crisis ever to hit the oil industry, Tubacex's results have started to improve due to the ongoing efforts to adapt its cost structure to the current environment and order backlog performance.**
- **The Company has doubled EBITDA which now stands at €35.6 million.**
- **The net financial debt was reduced by €13.6 million and €23.3 million with respect to the end of 2017 and the first quarter of the year, respectively.**
- **Over 80% of this financial debt is linked with the Company's working capital already sold.**
- **Tubacex predicts this gradual deleveraging will be maintained during the second half of 2018, to reach a level close at 3x over EBITDA at year end.**
- **The current international framework and uncertainty situation caused by protectionist measures implemented in some countries are slowing down final decision-making processes regarding investments.**

Llodio, July 26, 2018. Three years after the worst crisis ever to hit the oil industry, TUBACEX results are showing a significant improvement. During the first half of the year, the Company's sales have increased by 49.4%, amounting to €360.6 million, and EBITDA has doubled now standing at €35.6 million. These are the results of operative improvements and the progress made in the high value-added product backlog performance, closing the first half of the year with a profit of €6.7 million.

The working capital closed the first half of the year at €206.3 million, representing a reduction of €10.8 million when compared to the first quarter of the year. This figure is directly related to integral multi-annual projects currently under manufacture, mostly tubes for gas extraction and production (OCTG) and Umbilicals.

As announced at the start of the year, the Group's net financial debt and leveraging are falling. Thus, the net financial debt was reduced by €13.6 million and €23.3 million with respect to the end of 2017 and the first quarter of the year, respectively; and stood at €239.9 million at the close in June. It is important to bear in mind that over 80% of this debt is linked with the Company's working capital already sold.

The net financial debt over EBITDA fell from 9.8x at the close of 2017 to the current 5.5x. This debt ratio which is still high, corresponds to a temporary situation characterized by an EBITDA that is still affected by the weak market situation and the high cash flow level linked with major backlog projects. The Group predicts this gradual deleveraging will be maintained during the second half of 2018, until a level close to 3x over EBITDA is reached at the year end.

In addition, it is worth highlighting the Group's solid financial structure with a high cash flow of almost €150 million, which would enable the Group to face maturities within the next three years, even in the worst scenario.

“We expect a significant improvement of results supported by our four major pillars around which we have continued working and investing in spite of the crisis we have experienced; The increasing importance of high value-added products sold directly to end users, increased improved competitiveness and production flexibility, commitment to innovation and our continuous improvement-based philosophy, are the foundations of the enhanced results and margins we predict for this year”, stated Jesus Esmorís, CEO of TUBACEX.

“We leave a severe three-year crisis behind and, despite some the macroeconomic uncertainty in the short-term, our outlook for the future is optimistic, as we can rest assured that our four pillars will enable us to meet strategic targets and become a supplier of premium tubular solutions for the energy sector”, added Esmorís.

Regarding forthcoming months, no significant market changes are expected, as the announcement of increased investment in the sector will need more time to result in greater demand for the Group's products. On the other hand, the current international framework and uncertainty situation caused by protectionist measures implemented in some countries are slowing down final decision-making processes regarding investment. In spite of this, improved results are expected in 2018 thanks to the Premium product order backlog. Nevertheless, it is difficult to estimate the impact from those protectionist measures and sanctions at the year end.

TUBACEX by market

The Oil&Gas extraction and production sector accounts for 50% of the Group sales through this channel, based on the order backlog performance for OCTG and Umbilicals.

Sanctions on certain countries were announced by the USA in May and will come into force in November. In the worst scenario and although it is still early to assess any amount, they might impact scheduled deliveries for 2019 and 2020 of an order in the current OCTG backlog. However, the negative impact of these sanctions could be mitigated as there are highly relevant projects for this product in the Middle Easy and Eastern Europe

The Power Generation sector represents 17% of sales and is currently undergoing a normalization process after the halt of 2017. A good example of this normalization process, was the award of 6 major orders in Asia for boiler tubes, as well as high pressure piping systems, to TUBACEX.

The Mid and Downstream sector is showing increased investments and activity in general which currently concentrate in the USA and the Middle East.

From a geographic viewpoint, Asia remains TUBACEX Group's main market with 60% of sales due to its high exposure to the oil and gas E&P segment as well as to power generation segment. As growth projections in this region are high for the forthcoming years, the Group is reinforcing its industrial and commercial presence in this area.

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

	H1 2018	H1 2017	% change	Q2 2018	Q2 2017	% change
Sales	360.6	241.4	49.4%	192.1	110.1	74.5%
EBITDA	35.6	17.6	102.4%	19.8	4.6	335.2%
EBITDA margin	*9.9%*	*7.3%*		*10.3%*	*4.1%*	
EBIT	16.3	0.8	n.m.	9.8	(3.8)	n.m.
EBIT margin	*4.5%*	*0.3%*		*5.1%*	*neg.*	
Net Profit	6.7	1.9	257.8%	4.3	(0.9)	n.m.
Net margin	*1.9%*	*0.8%*		*2.3%*	*neg.*	

	2018/06/30	2017/12/31
Working Capital	206.3	193.0
Working Capital / Sales	33.8%	39.4%
Equity	288.8	281.8
Equity / Net Financial Debt	120.4%	111.2%
Net Financial Debt	239.9	253.5
NFD/ EBITDA	*5.5x*	*9.8x*

n.m.: Not meaningful
neg.: Negative

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