

January - September 2019 Results



TUBACEX consolidates growth increasing its backlog

- TUBACEX order intake continues to grow month by month and it now stands at 40% above the average for recent years.
- TUBACEX is involved in the final negotiation stages of large projects expected to be closed in the short term, which will represent an unprecedented backlog.
- The gradual recovery experienced by the market is translating into the Group sales which amounted to €476.3 million between January and September, along with an EBITDA of €46.2 million and a margin of 9.7%.
- TUBACEX continues to have a solid financial structure with a high cash flow in excess of €150 million.

Llodio, November 6, 2019. Thanks to the continuous increase in TUBACEX order intake month by month, the Group has consolidated its growth with a backlog standing at 40%, above the average for recent years. Short-term prospects are positive and are mainly determined by TUBACEX position in the umbilical offshore tubes segment with a record portfolio and almost 100% of 2020's capacity already sold on the one hand; and thanks to TUBACEX position in key regions where the company is at the final awarding stages of large projects, on the other.

As Jesús Esmorís, TUBACEX CEO stated, “although macroeconomic turbulences have caused a slight delay in the final stages of large extraction

projects, we are now in the latest award and subscription stages of several multi-annual projects with different clients and in different geographical areas, which we hope to materialize in the forthcoming months”.

Against the backdrop of this gradual market recovery, TUBACEX netted €476.3 millions from sales from January to September 2019. Although this represents an 8.4% drop in relation to the sales recorded in the same period in 2018, it also stands for a 23% increase since the start of the crisis. This year-on-year fall was mainly caused by the production of a unique order which was discontinued in October 2018. Therefore, excluding this order the Group turnover has increased by almost 40%.

The general market recovery is allowing results to be generated in a more balanced way inside the Group. In turn, this has also enabled operating leverage ratios to be maintained for all business units and therefore, consolidated margins approaching double figures. During the nine first months of the year, EBITDA amounted to €46.2 million, with a margin of 9.7%. Profit before tax amounted to €9.7 million.

The working capital amounted to €219.1 million in September, €3.1 million under the close at 2018 and with a percentage over sales of 34.6%, meeting the strategic goal of maintaining this target under 35%.

The net financial debt amounts to €274.1 million, reaching 4.5x EBITDA. According to TUBACEX business model, where products are made to order, the financial debt is closely related to the working capital, which is mostly sold at a net positive realization value. The working capital represents 80% of the debt, so the company's structural financial debt without including the working capital stands at €55.0 million. The Group debt increase during 2019 is mainly based on extra investments made. In addition to acquiring the minority stake which did not hold in IBF and the takeover of NTS Group which represented expenses of almost €30 million, TUBACEX Group is building a new plant in Durant (Oklahoma, USA) which is expected to be commissioned before the year-end. These three operations together with normal investments from the Group have resulted in an

exceptional increase in the total CAPEX from January to September exceeding €50 million.

In this respect and as it has become customary regarding the Group's financial strategy, its solid financial structure should once again be emphasized, with a high cash flow in excess of €150 million. The Group expects the debt ratio to stand below 4x by the year-end, in order to fulfill the 3x strategic target in 2020.

TUBACEX by market

The Oil&Gas E&P sector is experiencing a significant improvement in terms of the activation of important projects, mainly in the Middle East. Once the design phases of large projects are completed, the launching of different public tenders for award in the short term is about to begin.

In the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, sales of umbilical tubes are continuing the positive trend shown throughout the year and TUBACEX current portfolio in this product is currently reaching record figures. It is worth remembering, TUBACEX won its second largest contract for umbilicals in history in May.

Regarding the power generation market, TUBACEX has become the leading supplier of high value tubular solutions, increasingly seeking state-of-the-art energy efficiency and reducing the volume of CO₂ emissions.

On the conventional coal thermal power generation market, TUBACEX continues to maintain a significant presence at international level. In the fourth quarter the Group will complete the delivery of several state-of-the-art 660MW and 1000MW units in Europe and China. Moreover, the forthcoming months will bring a strong demand in tenders for high power equipment on the Asian market.

The Mid and Downstream segments have also seen very dynamic activity over the first last nine months of the year. After an excellent first semester in terms of order intake, the third quarter marked by financial uncertainty has led of an extensive slowdown in projects launched by general contractors. However, this deceleration was compensated by the award of strategic projects in China and

