



CORPORATE PRESENTATION

2019



- **Tubacex Group**
- **Recent Evolution**
- **Outlook & Results**
- **Strategic Plan 2016-2020**



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- Recent Evolution
- Outlook & Results
- Strategic Plan 2016-2020



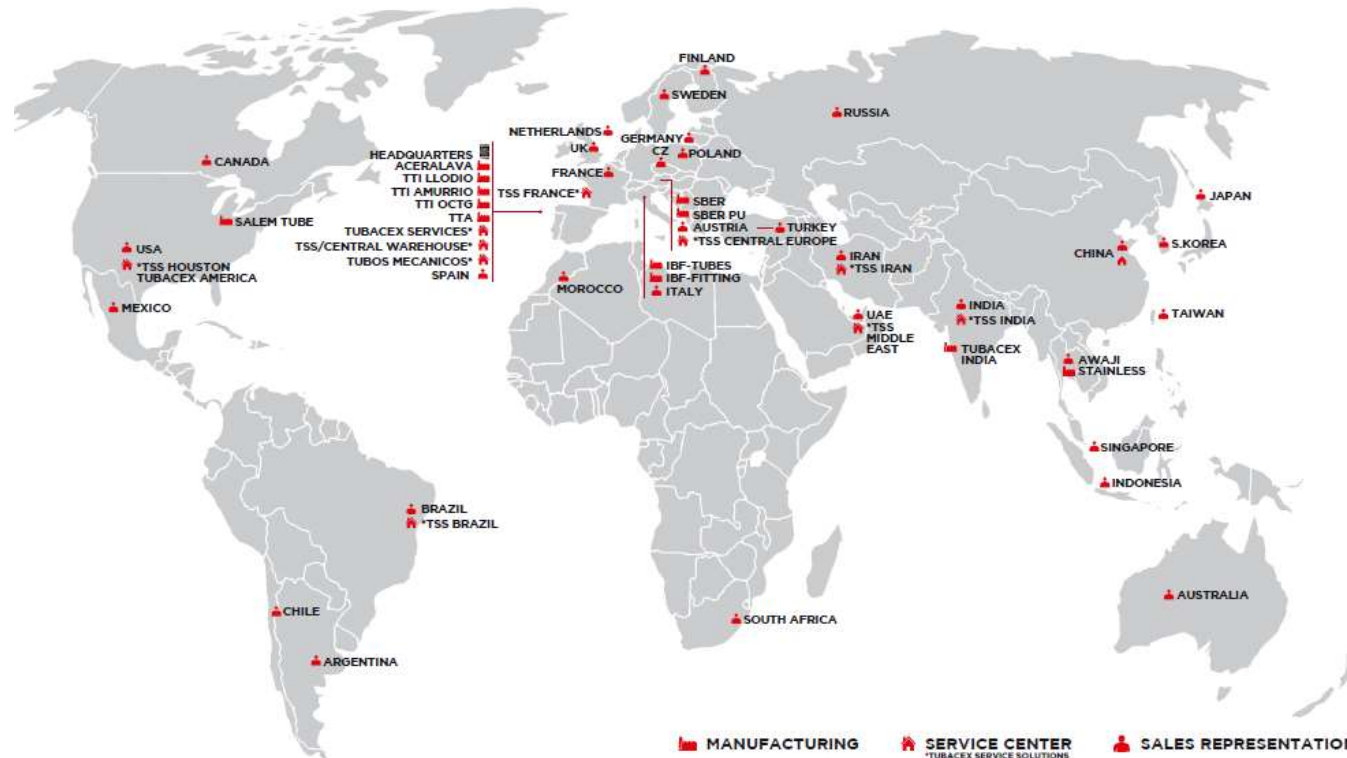
A fully integrated supplier



Steel billets & bars ► Extrusion ► Cold finishing ► Pipes & tubes fittings ► Master distribution ► Commercial network

TUBACEX is the largest Seamless Stainless Steel Manufacturer..

Geographical Presence

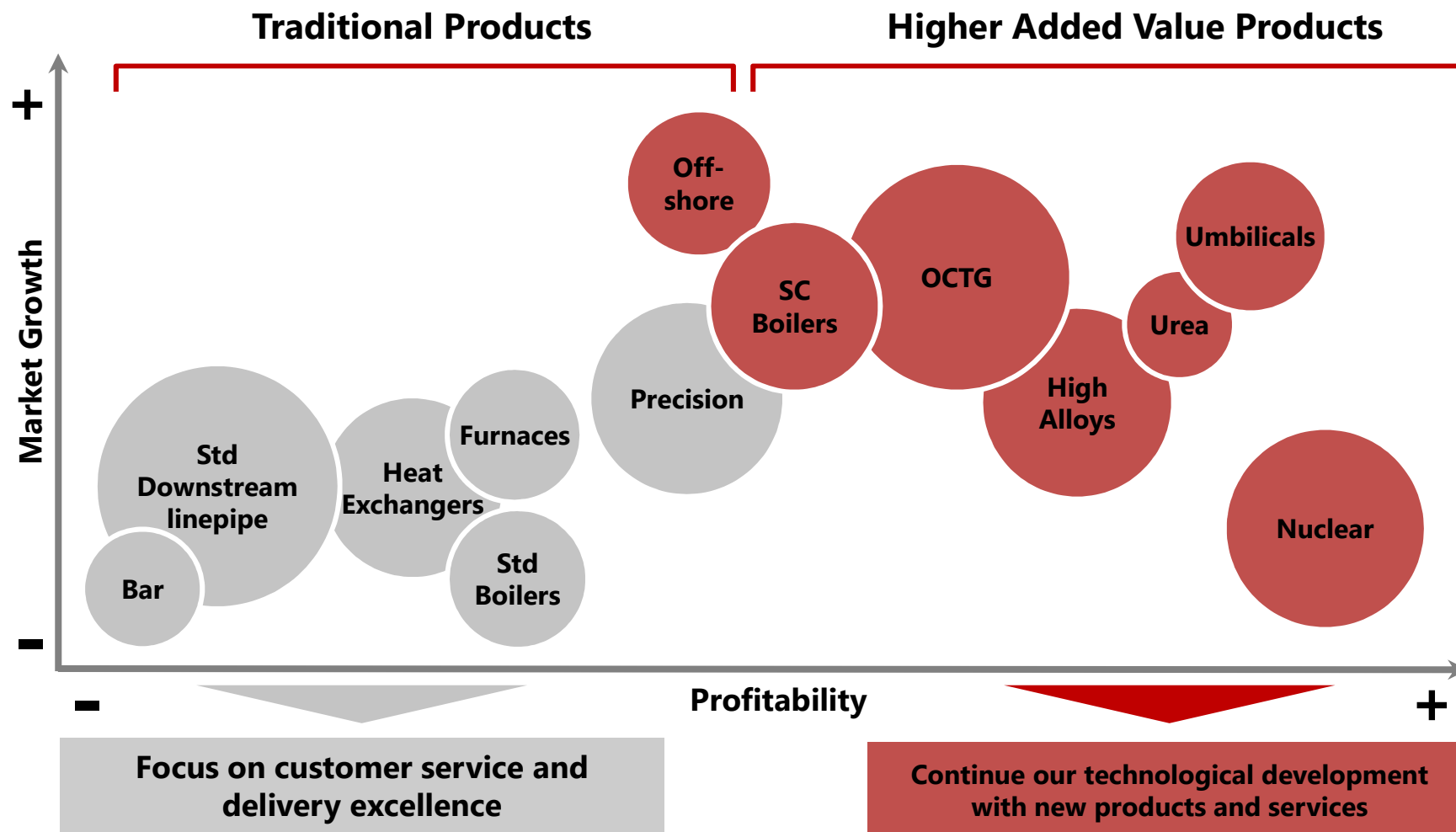


KEY FACTS

- Sales > 500 million euros
- 11 mills in Spain, USA, Austria, Italy and India.
- Investment of €160 million in the last 5 years
- Commercial presence in over 14 countries
- More than 300 customers in over 100 countries.
- 2300 professionals
- Worldwide leading supplier of SSSP

Worldwide Presence

Business Strategy

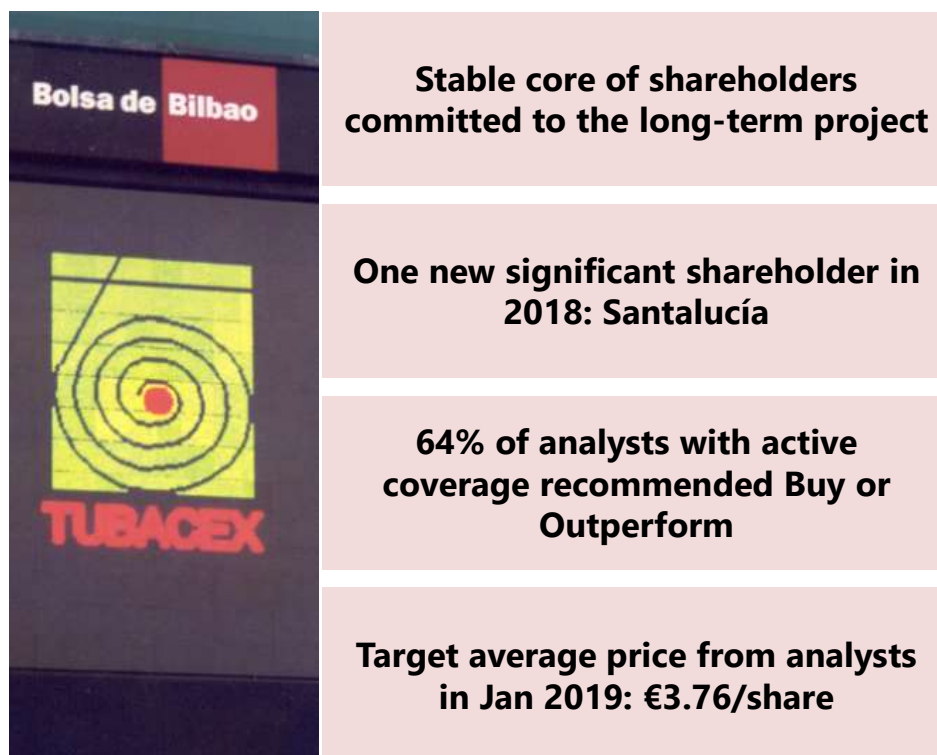


Changing successfully our former positioning

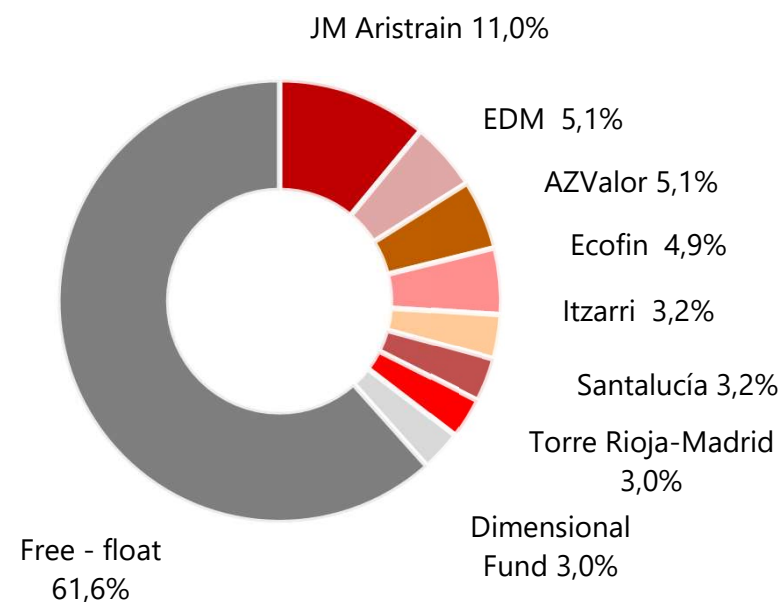
The size indicates the volume of each segment, measured in Euros (not in tonnes)

Other key matters

Relationship with Investors



Shareholder Structure



Stable shareholder structure with positive market assessment

Source: Spanish Securities Exchange Commission (CNMV) in January 2019



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Evaluation of 2018

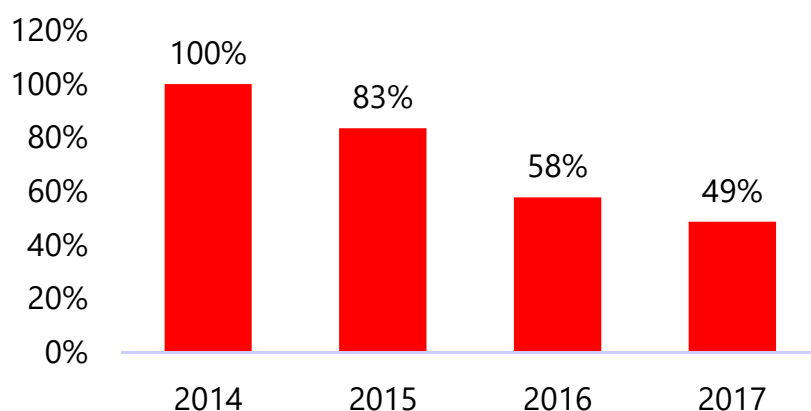
- The expected recovery has not taken place: Third consecutive year of the **most serious crisis in the Oil&Gas sector**
- Dramatic reduction of the Capex in the industry, causing an unprecedented **fall** in the **volume** produced and intense **price competition**
- We have improved our positioning as a **global supplier of tubular solutions**
- **Record year in winning** orders with a high technological value in projects with a strong R&D&I component
- Important progress in positioning in **new products**: OCTG, Umbilicals, High Alloys, etc.
- Acceleration of **industrial and efficiency plans**: allocation of the highest commodity product in low cost plants
- Continuation of **improvement projects** with positive effects...
- ...but they have not been able to offset the significant fall in volume and prices

Waiting for the recovery of the sector

Oil Sector

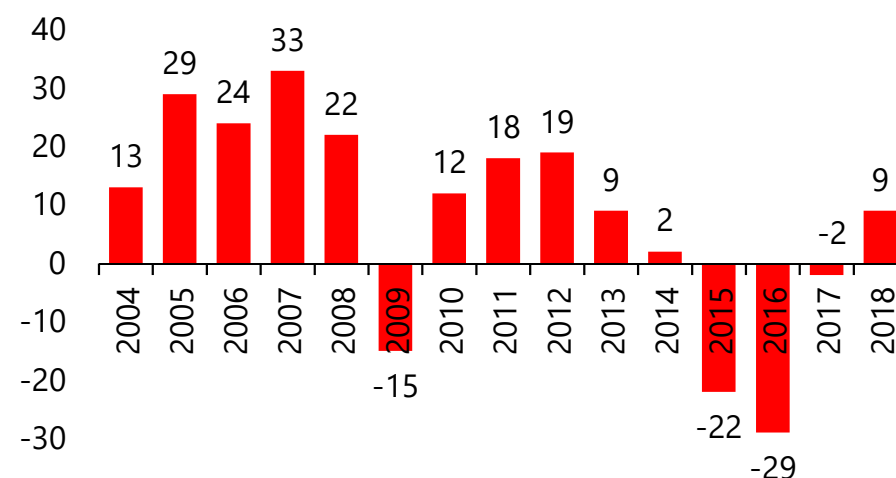
- For the first time in 30 years we have faced three consecutive years of reduced investments, which together with the decline rate of mature assets allow us to forecast a change in the trend in 2018

Contracts award



■ Contracts awarded for Upstream, Midstream, Downstream and Power Gen projects in \$M using 2014 as a baseline

Upstream Capex Growth



■ YoY Capex (%)

Three consecutive years of decline in Capex...

Source: EIC, Tubacex, JP Morgan Global Energy Analyzer: E&P Capex Survey

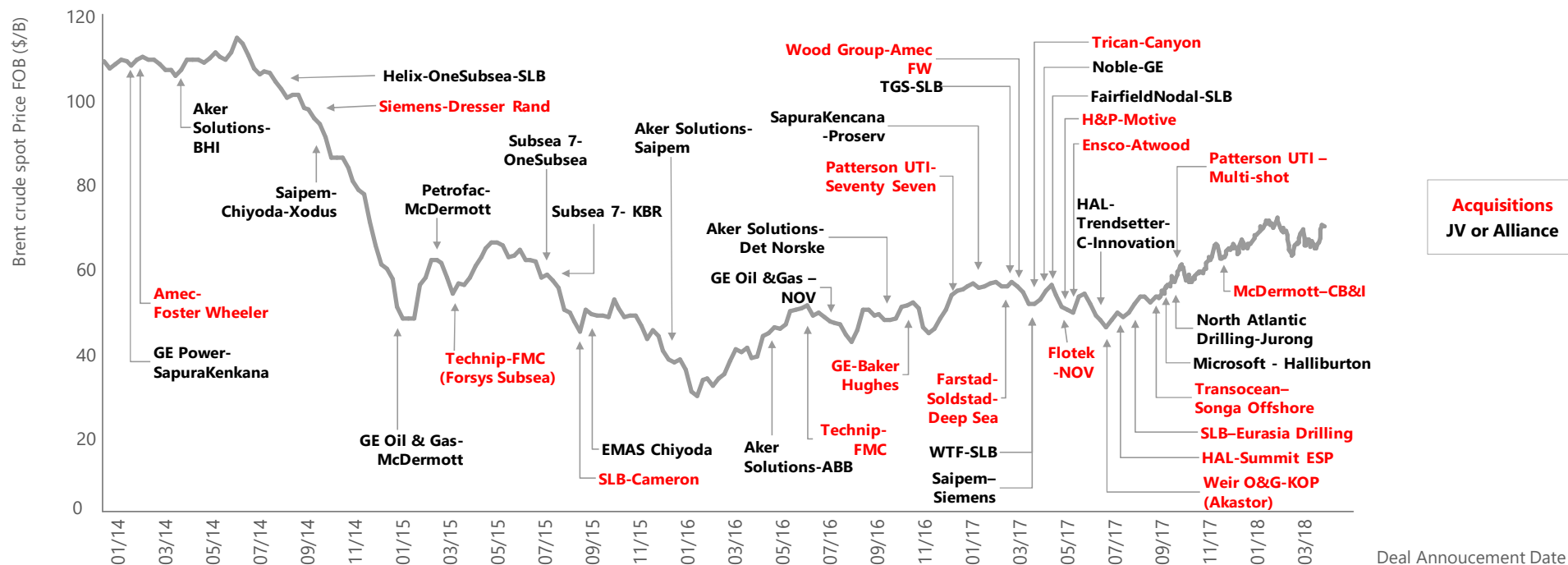
Recent Evolution

Oil Sector



- There has been an integration movement in the sector aimed at reducing the total operating costs

Major transactions in the oil & gas industry since Jan. 2014



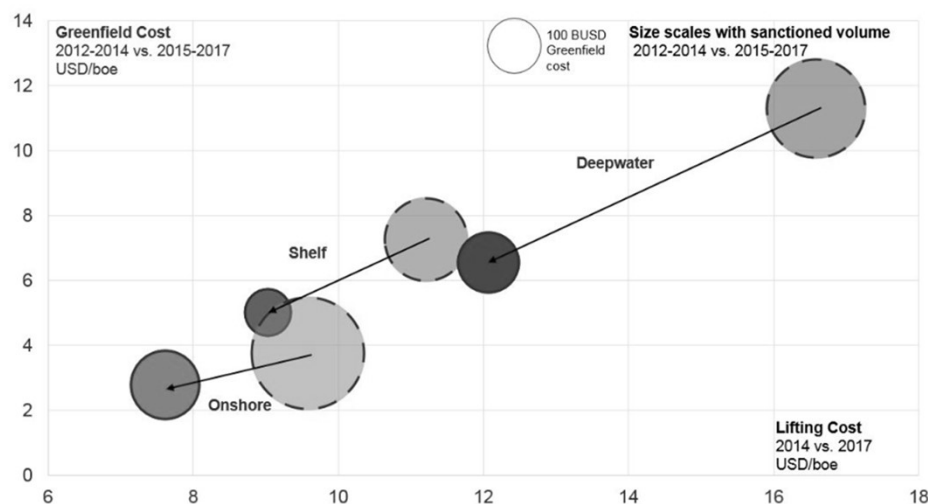
...which have led to the concentration of the sector...

Source: The Boston Consulting Group

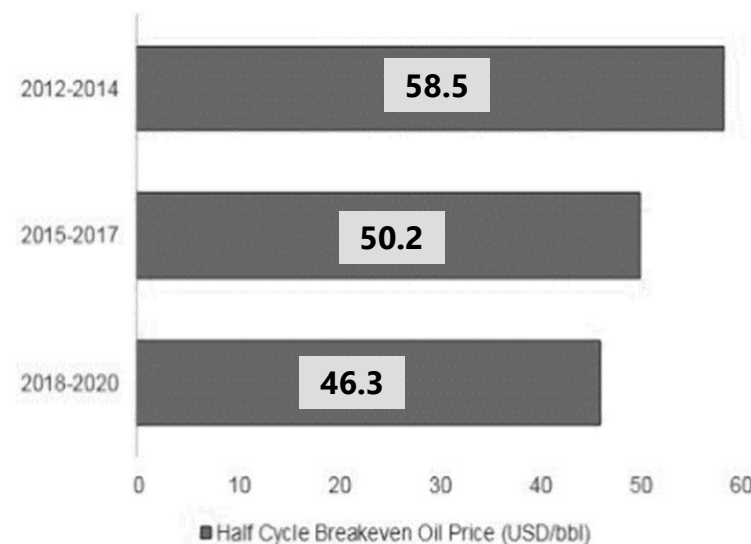
Oil Sector

- The adjustments made in the industry during the crisis have reduced the break-even point of many projects which are now profitable with lower oil prices

Offshore costs evolution



Half Cycle Breakeven Oil Price

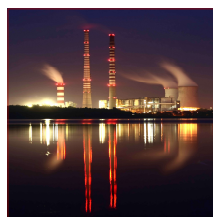
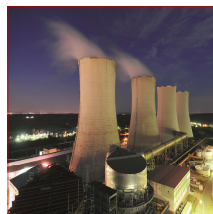
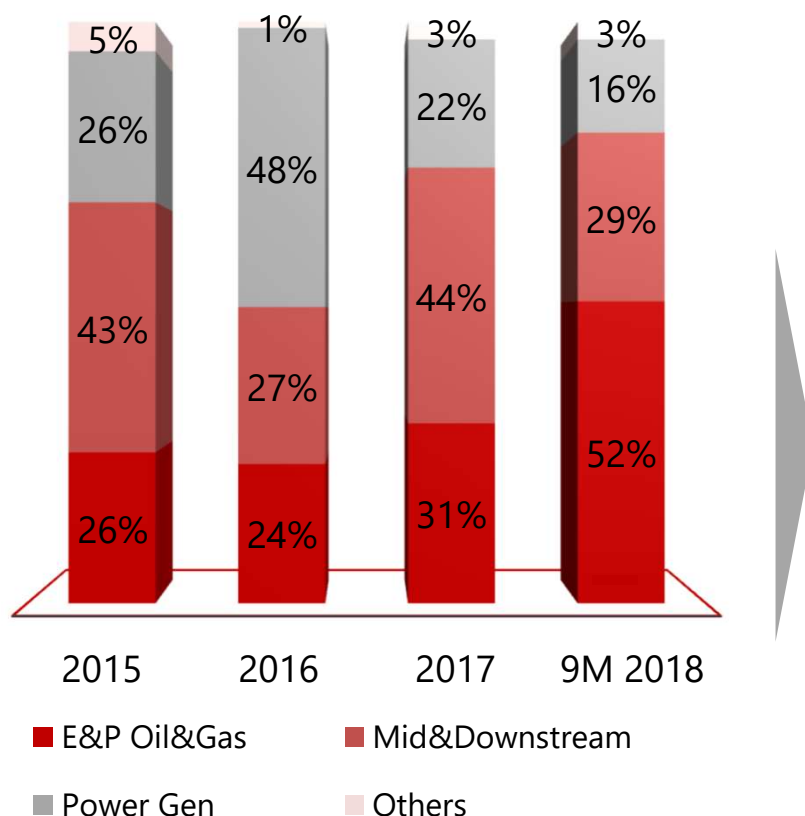


...but also helped to improve efficiency

Recent Evolution



Sales breakdown by sector*



▪ E&P Oil & Gas:

- Despite the cuts in the Capex of oil companies some specific big projects awarded that helped the gradual increase
- Transformational projects awarded
- Better relative performance of the gas sector

▪ Power Generation:

- Undergoing a normalization process after the halt of 2017
- Order intake noticeably improving
- Integral tubular solutions thanks to the incorporation of IBF and the development of new grades and technologies

▪ Mid & Downstream:

- Sector's performance stable
- Strategy focused on selling integral tubular solutions

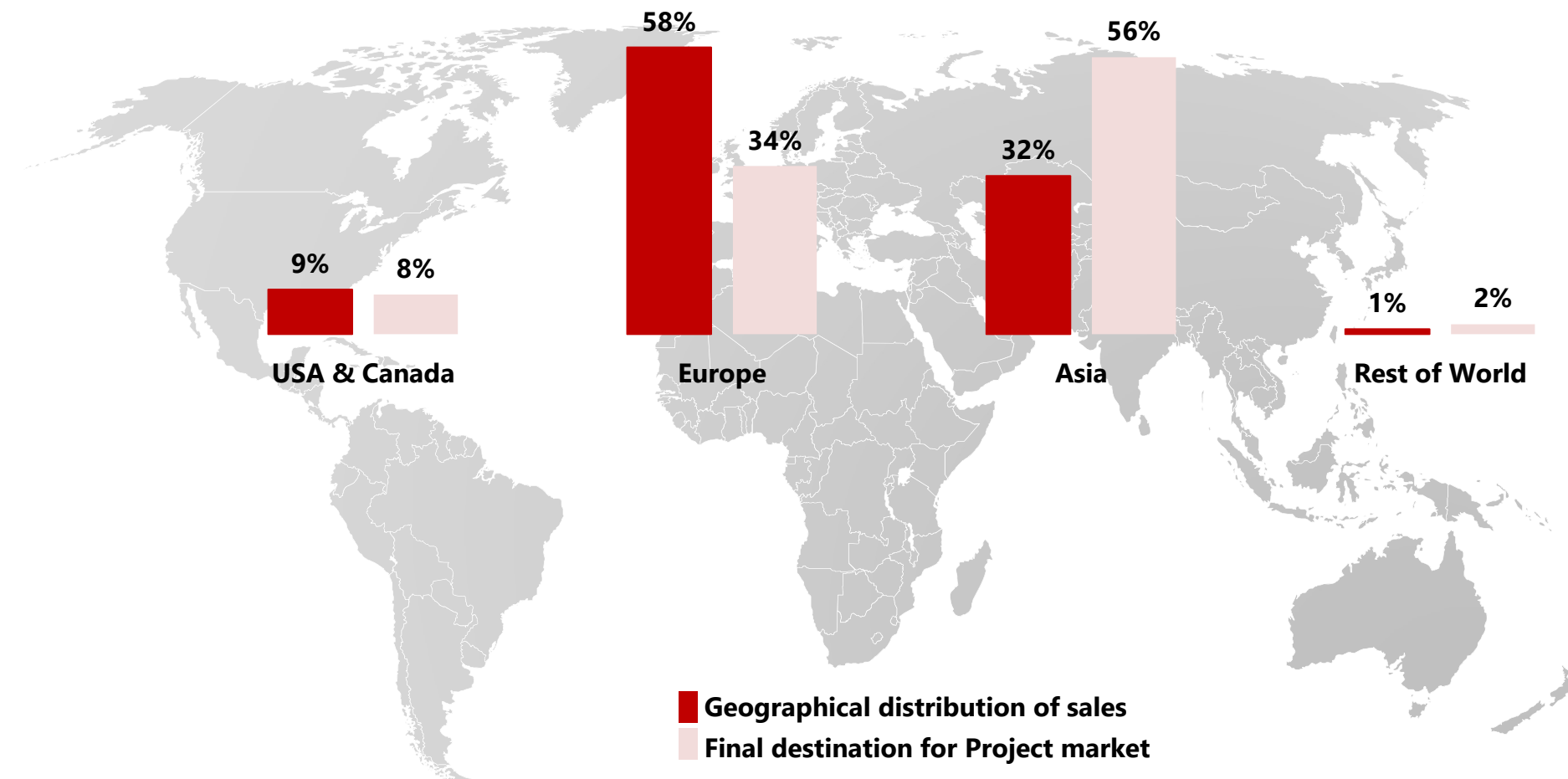
▪ Other alloys

- Diversifying effort
- Incorporation of new grades in the product portfolio
- Gradual increase of fertilizer orders

Strong positioning in Oil&Gas and Energy

* Direct sales to engineering firms and end-users

Revenues Breakdown by Geography



Asia remains the biggest market for the Group

2017 in line with 2016 exluding adjustments

€M	2016	2017	% Var	
Sales	494.0	490.4	-0.7%	
EBITDA	34.9	25.9	-25.8%	It includes non-recurring extraordinary adjustments
EBITDA margin	7.1%	5.3%		
EBIT	2.5	-28.3	n.m.	
EBIT margin	0.5%	neg.		
Net Profit	0.5	-19.7	n.m.	TUBACEX has registered non-recurring extraordinary adjustments of 23.4M€
Net Margin	0.1%	neg.		
Working Capital	183.2	193.0	+9.8	
Working Capital / Sales	37.1%	39.4%		
Net Financial Debt	206.9	253.5	+46.6	
NFD / EBITDA	5.9x	9.8x		

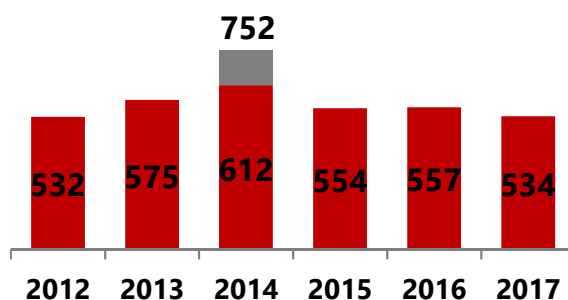
We have voluntarily decided to register non-recurring extraordinary adjustments related to Goodwill

Recent Evolution



Main figures evolution

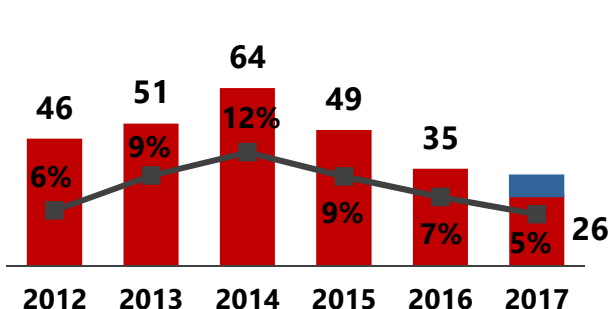
Revenues (€M)*



* Figure assuming nickel stable

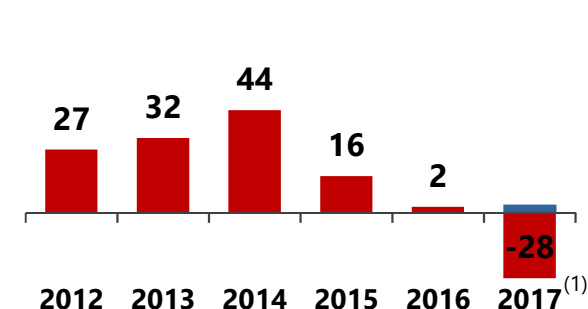
■ Incorporated new companies in 2015

EBITDA (€M)



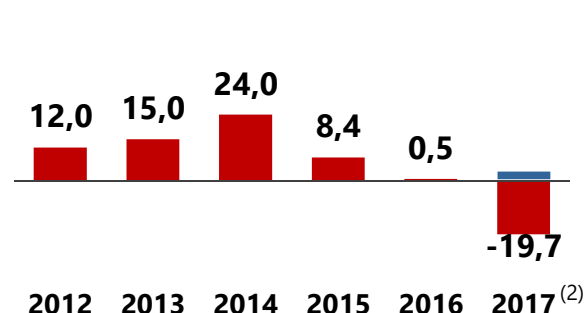
■ EBITDA — Margin
■ Excluding extraordinary adjustments

EBIT (€M)



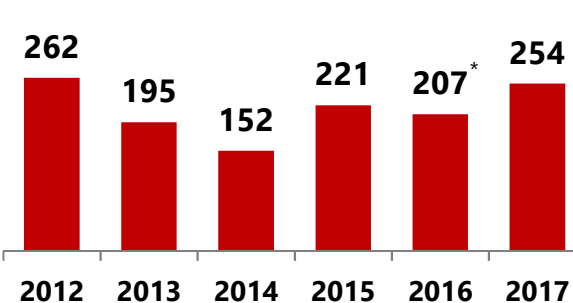
■ Excluding extraordinary adjustments

Net Profit(€M)



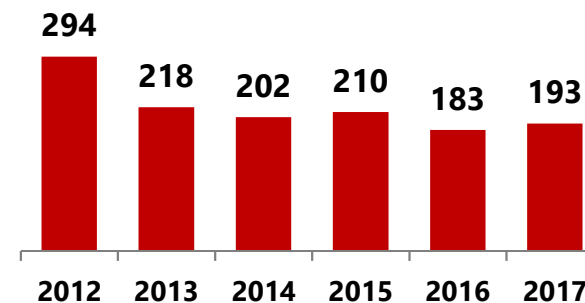
■ Excluding extraordinary adjustments

NFD(€M)



*Acquisition of two companies (Prakash & IBF)

Working Capital (€M)



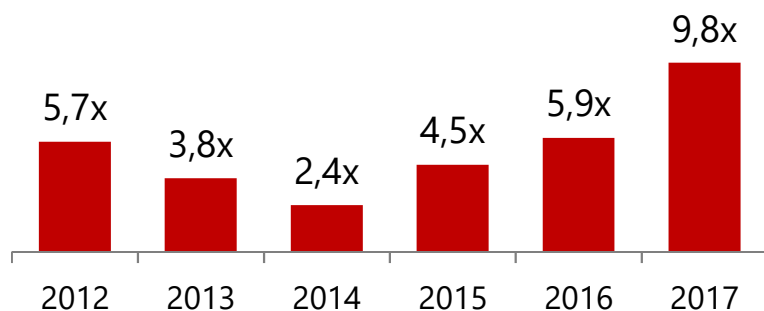
Significant improvement of results until Oil crash

(1) It includes extraordinary adjustments corresponding to the regularization of equipment, tooling and stocks, linked to the manufacturing of conventional products in Austria which will be moved to India

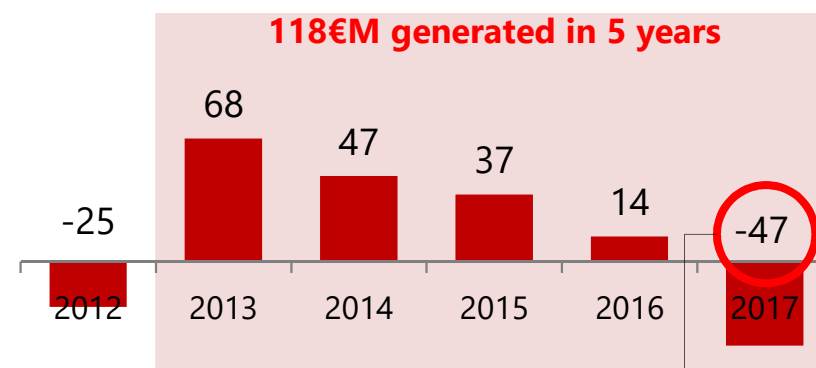
(2) It includes 23.4M€ of extraordinary adjustments mainly corresponding to the non-recognitions of the Austrian subsidiary's goodwill

Financial Strategy

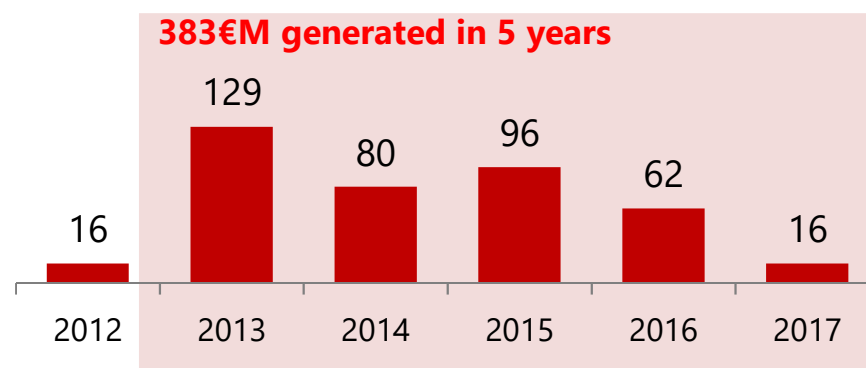
NFD / EBITDA



Cash Flow before acquisitions



Gross Cash flow



Financing 47.2€M of work in progress, corresponding to a multi year Project, that will be collected in the short-term

High Cash Flow generated allows financial soundness



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Outlook & Results

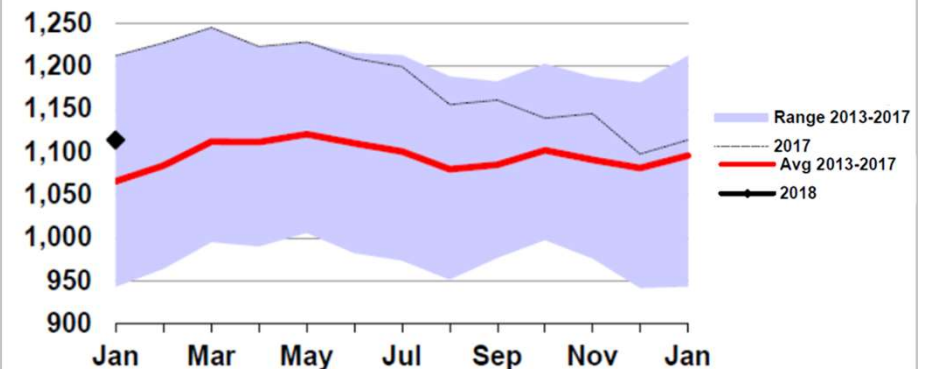


Positive macroeconomic indicators

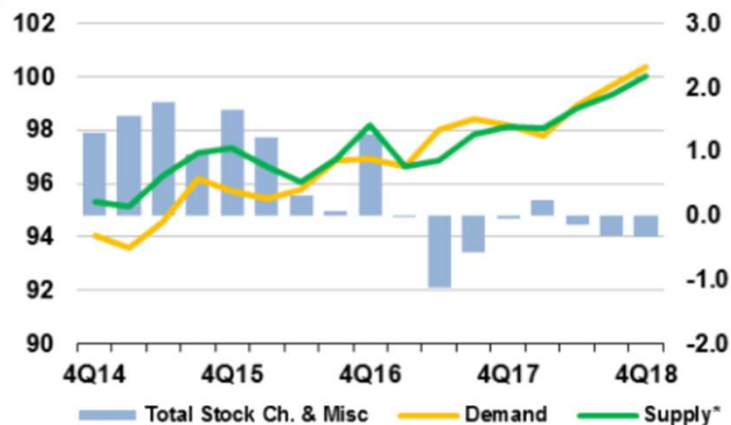
Crude Futures (\$/bbl)



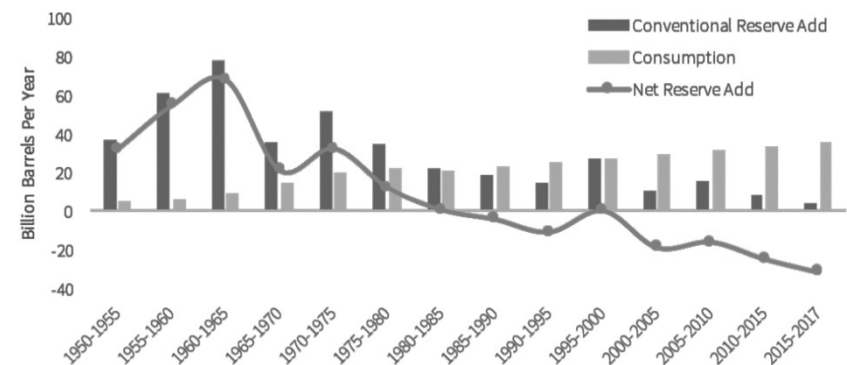
OECD crude oil stocks(mb)



Demand vs. Supply (mb/d)



Consumption vs. Reserves



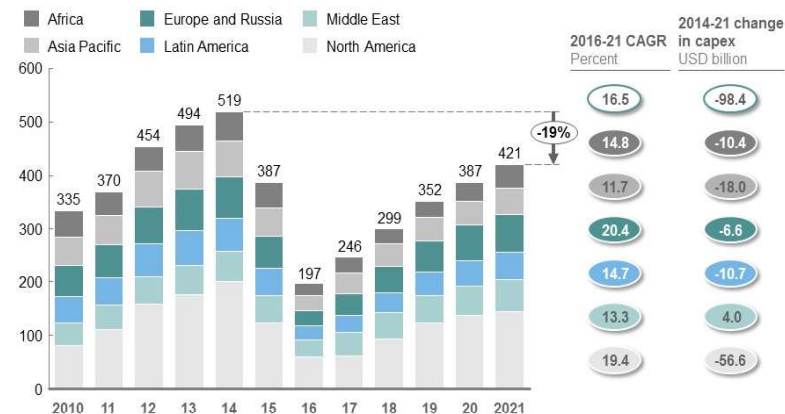
Outlook & Results

Positive macroeconomic indicators

Oil production capex¹ is projected to grow by 16% through 2021 driven by rebound in the Americas, but stay depressed compared to 2014

SOURCE: McKinsey Energy

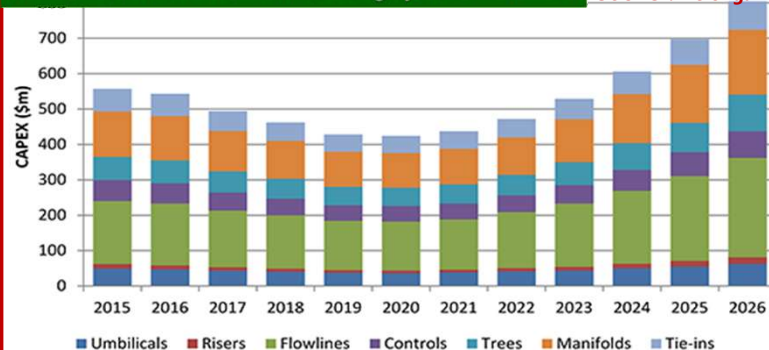
Historical and projected oil production capex
USD billion, nominal



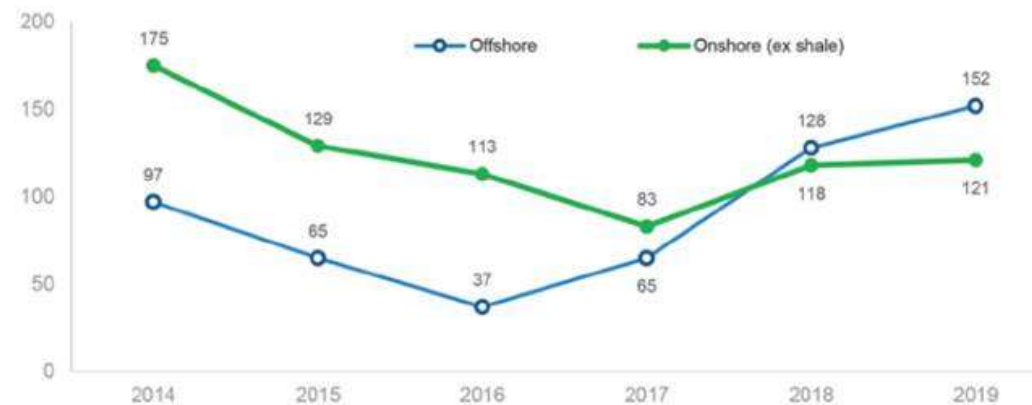
¹ Includes capital spending in oil development and production, both greenfield and brownfield, excludes exploration spending

World Subsea Production & Processing Systems Hardware

SOURCE: Visiongain



Number of project commitments by commitment year.



Source: Rystad Energy DCube

SOURCE: Oil&Gas UK

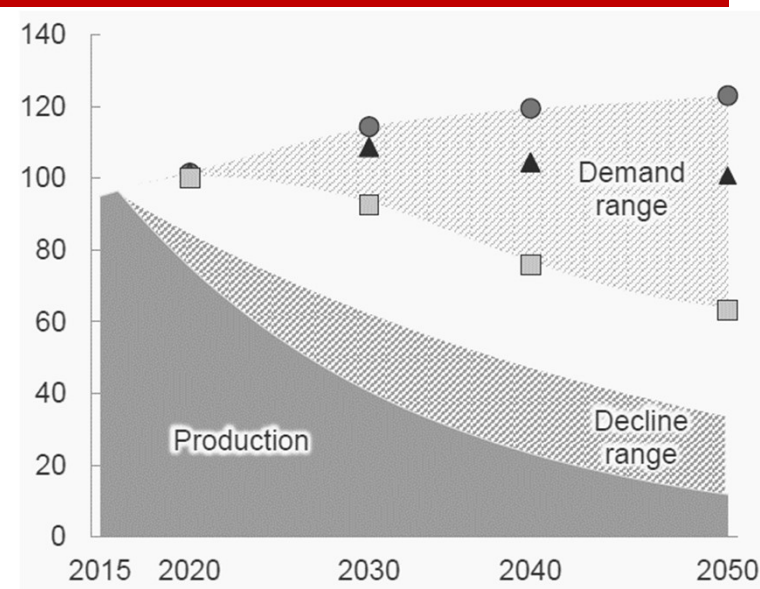
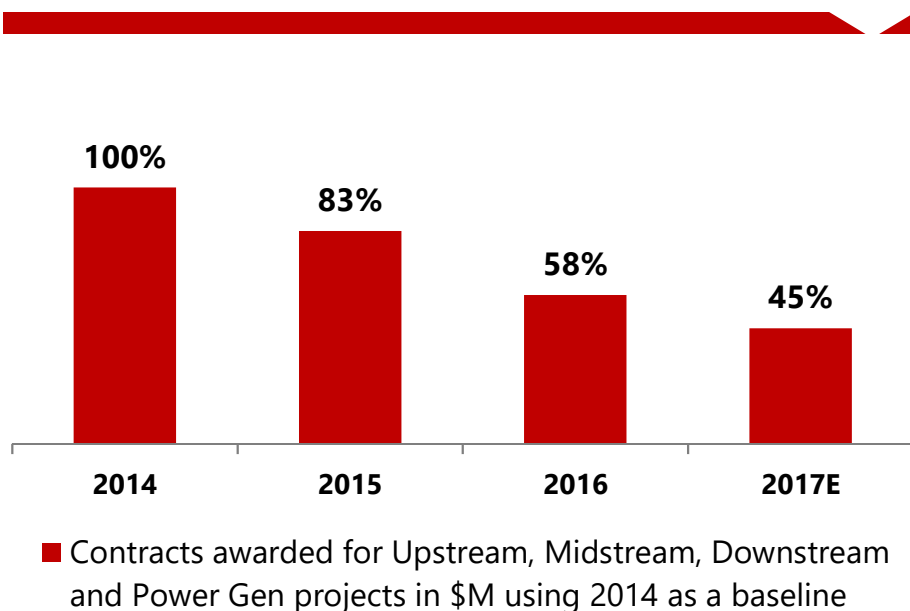


Costs in the North Sea are expected to drop to \$17 per barrel

Positive evolution of CAPEX

Recovery first evidences

1. Increase in imports in the USA
2. Increase in CAPEX in the OEM's
3. Rise in price per barrel
4. Gap in Decline Range vs. Demand Range
5. Rise in raw material prices

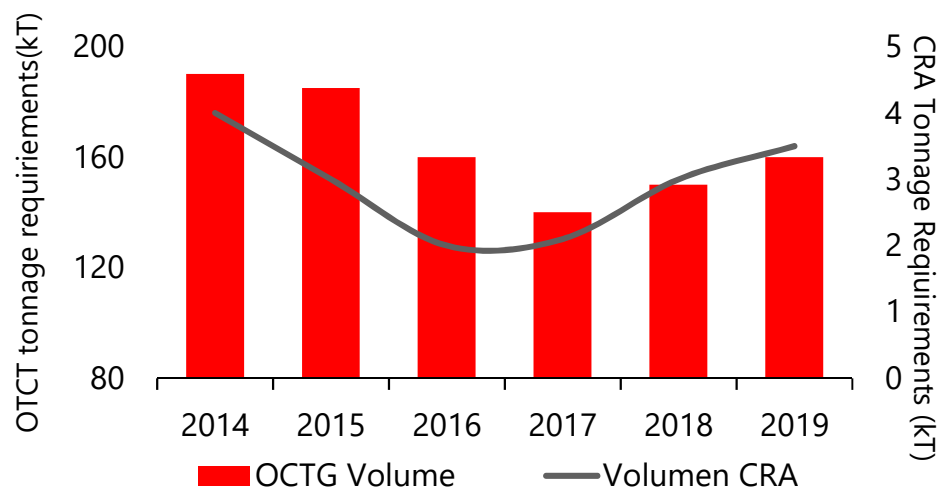


There are signs that the investment cycle is starting to turn

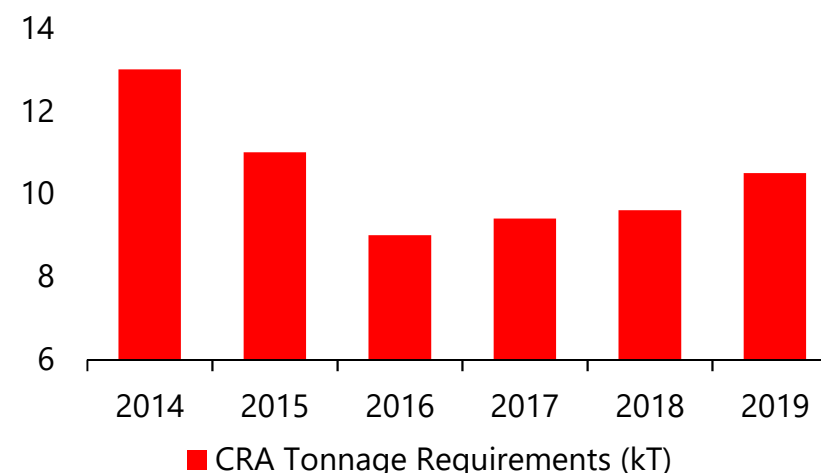
Initial signs of recovery

- The North Sea has undergone the biggest fall in percentage demand than any other region. However, this trend is starting to be reversed in 2018.
- Change in tendency in the Middle East with incremental CRA needs due to the prevalence of sour gas

North Sea OCTG & CRA Volumen Demand



Middle East OCTG CRA Volume Demand

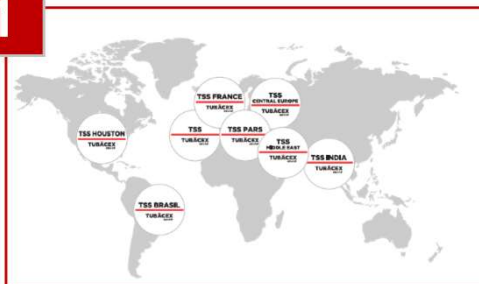


Increase of the expected demand in CRA

* Source: Westwood, Metal Bulletin Research

Market Positioning Strategy

1



- Move **commodity** product to plants in **Asia** (India, Thailand)
- Develop sale of commodity product through own **TSS – Master Distributor** network
- Sale of **Premium** products directly to **End Users and EPC's**

2



- Offer the **largest range** of products on the market
- **Full “package”** of solutions
- Involvement in initial and final phases: from **Co-design** to assistance in **installation and maintenance**

3

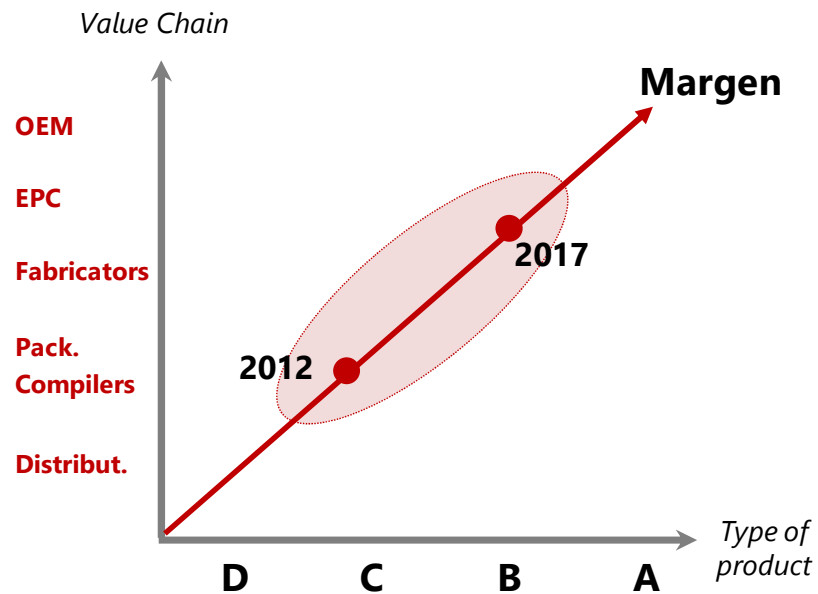


- Tendency to demand **local content** in the most important countries of the sector, to ensure multi-year framework agreements
- New plants 2018 – 2021:
 - EE.UU. II
 - Middle East

Proper product allocation by factory

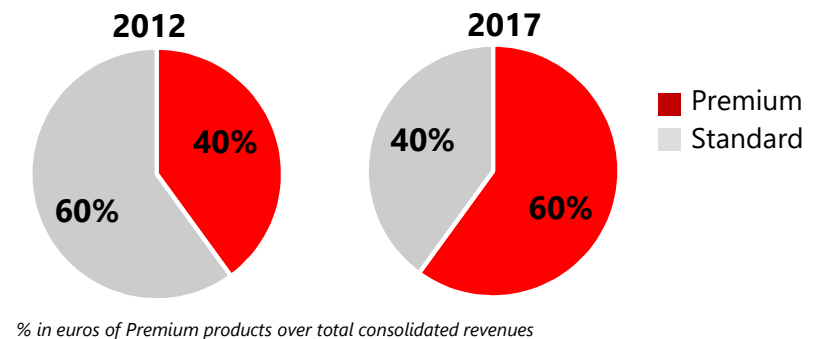
Business Strategy

Added Value

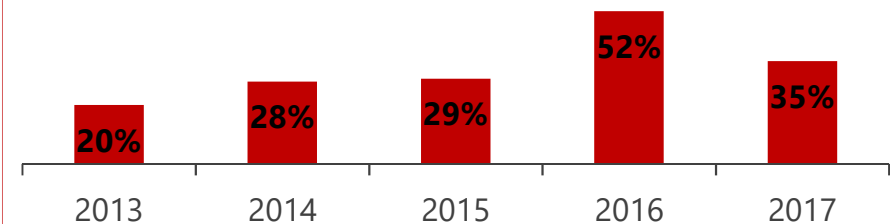


Note: the strong drop of volumes and pressure in prices experienced in 2015-2017 have significantly affected the consolidated margin of the Group

Premium Products



New Products



New products refers to products industrialized since 2008

Focus on Premium segment and continuous development of new products

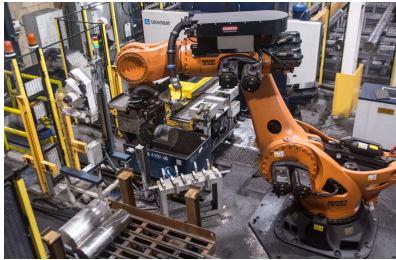
Management Strategy

1



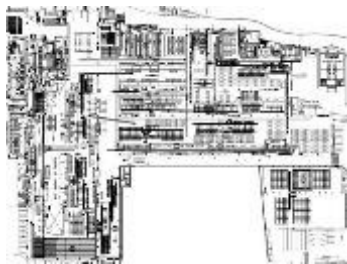
- Establish the management methodology
- New organization focusing on the Income Statement. < Cost
- New "Business Unit Trading"
- Financial Management

2



- Industry 4.0 – Big data
- Process Automation Robotization
- Use of sensorization in products
- Tube by tube traceability in production

3



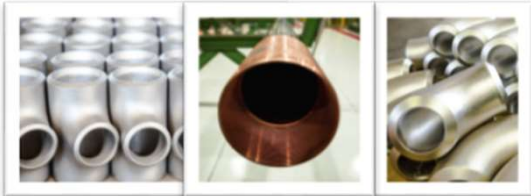
- Transformation of the Layout - Lean
- Elimination of intermediate stock
- New production processes

Productivity and Efficiency

Development Strategy

1

Connections



- Hydraulic connections
- Fittings, Tees, Caps
- Use of welding

2

Services



- New coatings – Coatings
- Bending, welding, machining, etc.
- After-sales service Sequencing
- Product assembly services
- Testing, life expectancy testing (EIC)

3

Other developments



- New materials
- New applications

8 patents in the past three years

Innovation Strategy

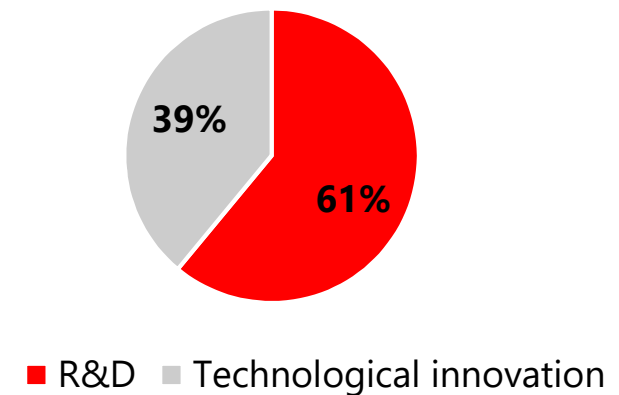
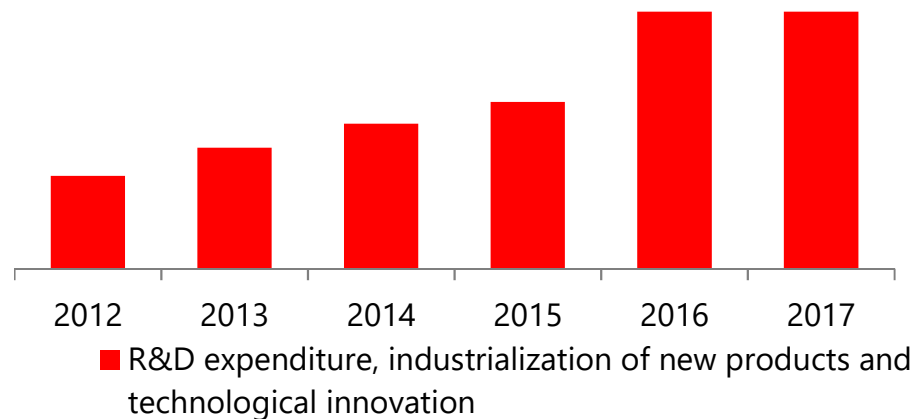
- Strategy focused on client to increase global efficiency of his projects and processes

Transforming the most demanding needs into customized solutions of high technological value developed in co-creation with customers

- Six patent applications in 2016-2017 and two more in 2018



Effort in R&D and Technological Innovation



Strategic Positioning

- With our market positioning and maintaining the improvements in Productivity and Efficiency and the effort in Innovation, all under the EFQM excellence model



Our Vision:
TO BECOME A SUPPLIER OF PREMIUM TUBULAR SOLUTIONS



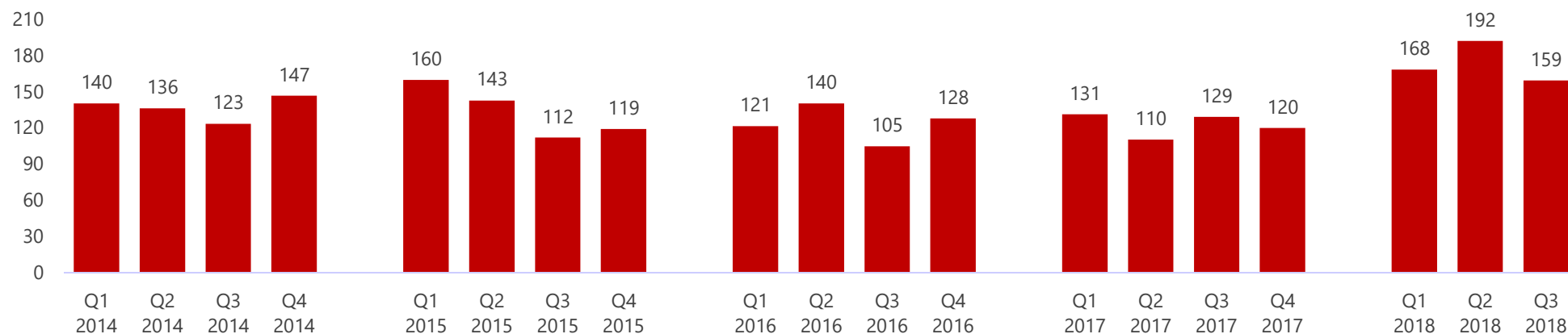
Outlook for the short-term

- **Gradual** recovery of the market
- Partial recovery of the **base prices**
- Increase in the price of **raw materials**
- Important year for the launch of **new products / businesses**
- Good positioning for **new long-term contracts** currently under negotiation
- Intense year in the **improvement of processes and industrialization**

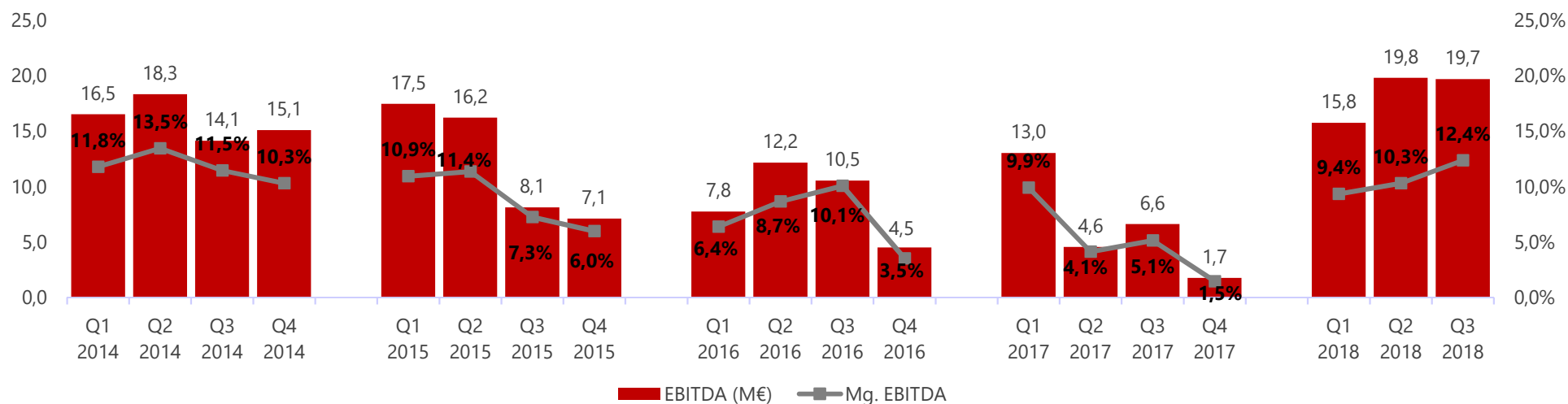
We think that the worst has passed...

Revenues and EBITDA evolution

Revenues



EBITDA



Outlook & Results



Main financials

<i>Mill.€</i>	9M 2018	9M 2017	% Var.	Q3 2018	Q3 2017	% Var.
Revenues	519.9	370.5	40.3%	159.3	129.1	23.4%
EBITDA	55.3	24.2	128.5%	19.7	6.6	197.8%
EBITDA margin	10.6%	6.2%		12.4%	5.1%	
EBIT	28.4	0.3	n.m.	12.1	(0.5)	n.m.
EBIT margin	5.5%	0.1%		7.6%	neg.	
Net Attributable Profit	12.1	1.1	n.m.	5.7	(0.8)	n.m.
Net margin	2.4%	0.3%		3.6%	neg.	
	9M 2018	FY 2017	Var.			
Net working capital	231.0	193.0	+38.0			
Net working capital / sales	36.1%	39.4%				
Net Financial Debt	258.3	253.5	+4.7			
Net Financial Debt / EBITDA	4.5x	9.8x				

neg.: negative ; n.m.: not meaningful

Performance in 2018

- Our positioning as **supplier of high technological value tubular solutions** enable us to show a very significant improvement in results and margins
- Major order for **Iran has been discontinued** since 5th November 2018: process managed in an orderly way (no intermediate stocks, no outstanding bills and no contingencies or penalties).
- Good prospects for **OCTG in Gas extraction** segment: possibility to rebuild the backlog
- Strategic focus on **multi-annual large scale projects**: local production and collaboration with first-class companies in destination countries (e.g. LOI with Egyptian Government for El Dabaa nuclear plant)
- Reduction in the working capital as the projects are delivered, gradual reduction of the **NFD** throughout the year, **approaching a multiple of 3x**
- Large number of **projects in the award pipeline**, which envisage a recovery for 2019 and a strong expansion in the sector at least by 2020 and 2021

Recovery to levels prior to the start of the oil crisis



- Tubacex Group
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- **Strategic Plan 2016 - 2020**

Strategic Plan 2013 - 2017

- Under normal market circumstances, 2015 would have been the year for the consolidation of the Strategic Plan, practically fulfilling the objective set for 2017

	Revenues	EBITDA	Contrib. Mg	NFD / EBITDA
Traditional Perimeter	546,0	64,0	94,1	2,4x
% revenues		11,7%	17,2%	
IBF + Prakash	140,0	18,0	22,7	n.a.
% revenues		12,9%	16,2%	
2014 Proforma	686,0	82,0	116,8	≈ 2,5x
% revenues		12,0%	17,0%	

If it were not for the oil crisis, we would have fulfilled our Strategic Plan

We launch a new plan 2016 - 2020



From tube manufacturer to premium tubular solutions provider

We are better positioned for recovery

	Pre Crisis 2014 (Proforma)	Crisis 2016 - 2017	Change
Revenues	750 M€	500 M€	-250 M€ (-33%)
Gross margin	370 M€ (50%)	230 M€ (46%)	-140 M€ (-38%)
EBITDA	82 M€ (12%)	35 M€ (7%)	-47 M€ (-57%)
Headcount	2.800	2.314	-486 p.
# Patents	0	7	+7
Order Intake	≈ 700 M€	≈ 1.000 M€	+300 M (+43%)
% Premium Product	40%	65%	▲ 25%
Sales to End User / EPC	35%	65%	▲ 30%

Loss of volume and reduction in prices not offset by cost reduction measures

Phases in our Strategic Plan

	Starting point	Improvement	Oil&Gas Crisis	Recovery	Strategic Target
	<u>FY 2012</u>	<u>2013-2014</u>	<u>2015-2017</u>	<u>2018 - 2019</u>	<u>2020 - 2021</u>
Product Mix (% premium over sales)	27%	36.2% Premium Products	60% Premium Products	70% Premium Products	70% Premium
Sales	n.a.	+15%	-30%	700-800M€	1,000M€
EBITDA Margin	8.6%	11.7%	7-8%	12%	13-15%
Net Debt / EBITDA	5.7x	2.4x	>3x	<3x	<3x
RoCE	5.2%	10%	<1%	10%	>10%
Working Capital / Sales	55.3%	37%	40%	35%	35%

Strategic Plan



New Perimeter set up during Crisis

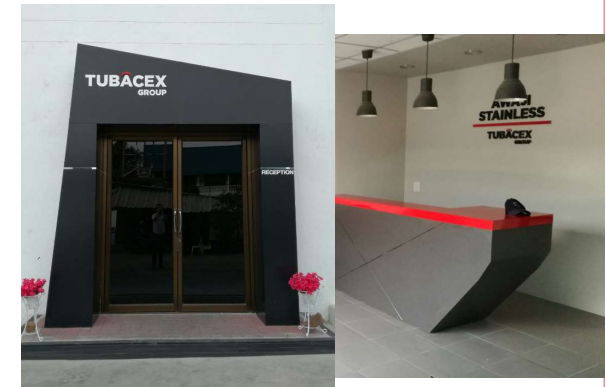
IBF (Italy)



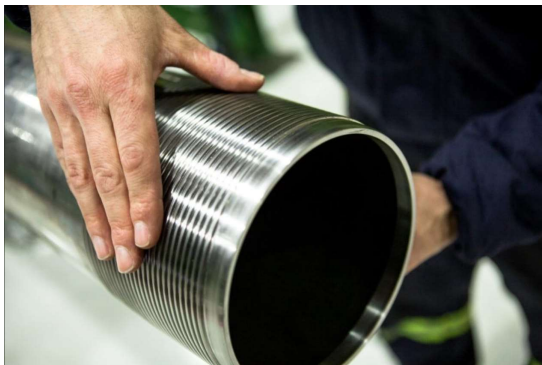
Prakash (India)



Awaji (Thailand)



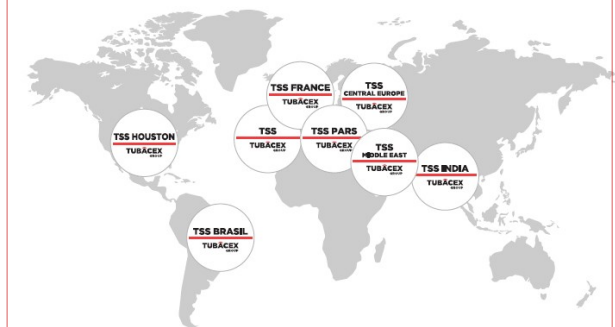
Tubacex Upstream



Tubacex Services

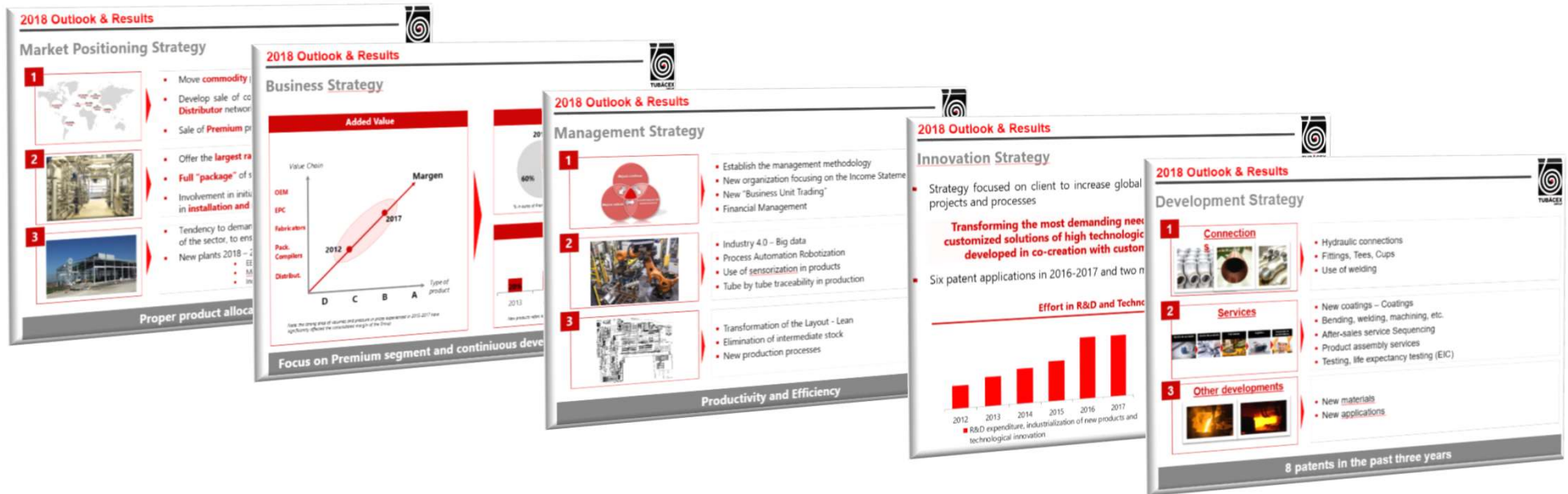


Tubacex Service Solutions

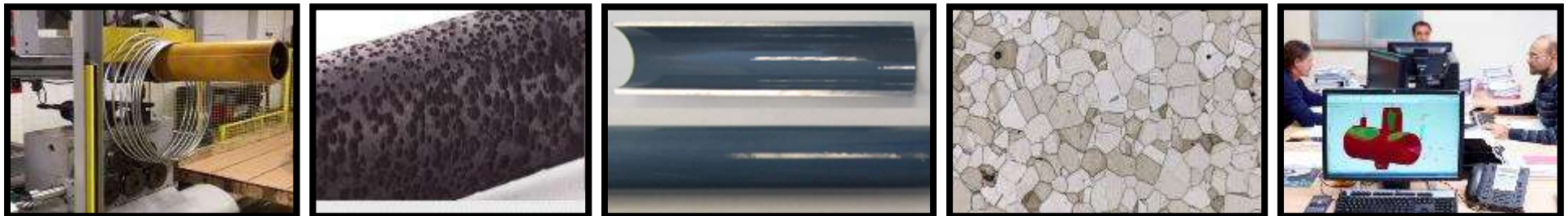


Strategic Plan

Significant advance in market positioning



New products, services and materials



Strategic Objectives 2020

1

Continue positioning TUBACEX as a **global supplier of tubular solutions**



SUPPLIER OF PREMIUM TUBULAR SOLUTIONS

2

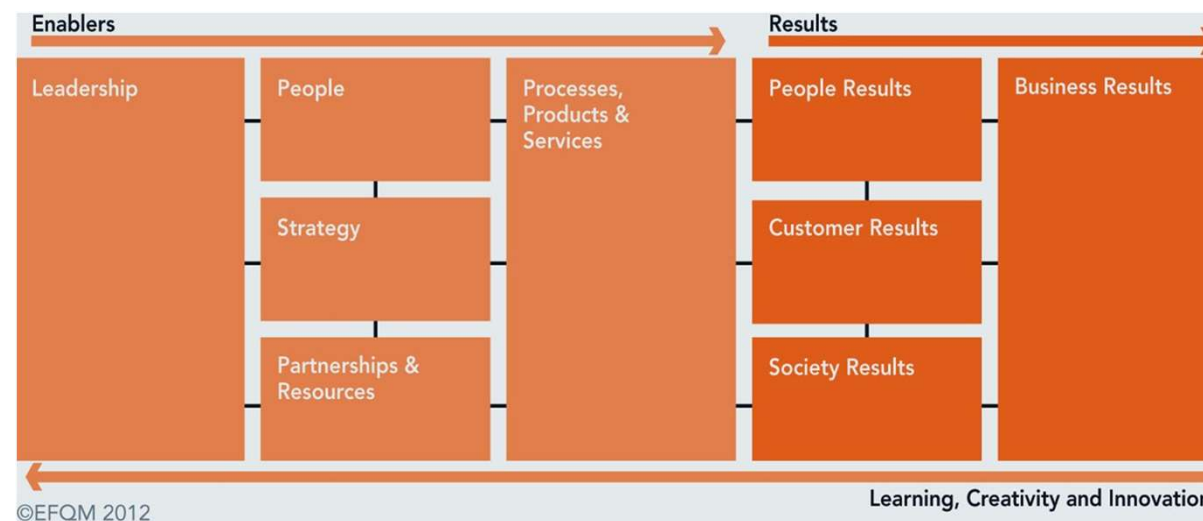
Reduction of the volatility diversifying risks

- Market
- Product
- Sector
- Raw Materials
- Geographic Diversification
- Correct Product Allocation
- Increase in non-oil sales

Strategic Objectives 2020

3

Obtain a **level of excellence above 500 in the EFQM model** (Silver Q for the management model is 400), with all of the results above 50% in both internal and external audits



4

Sustainable and profitable growth that takes us to attractive financial ratios for the financial markets

Strategic Plan 2016 – 2021: Financial Objectives

	Revenues	1,000 M €
	EBITDA Margin	15%
	NFD /EBITDA	2-3x
	Net Working Capital / Sales	35%

INTERNAL PROJECTS

- Organic growth
- Commercial positioning
- TSS- full development of global logistics
- Fully assembled tubular systems
- Industrial plans
- Innovation plans
- Costs optimization
-

EXTERNAL PROJECTS

- Development of testing capabilities (EIC)
- Agreements with engineering partners
- M&A operations to acquire complementary products and services

THANK YOU!



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