



Analyst Presentation

June 2016

- 
- 1. TUBACEX GROUP**
 - 2. ASSESSMENT OF 2015**
 - 3. PROSPECTS FOR 2016**
 - 4. STRATEGIC PLAN**
 - 5. STOCK EXCHANGE**



**TUBACEX
GROUP**

Milestones

1963

TUBACEX
foundation

1970-1990

First commercial offices in:

- Mexico (1971)
- Houston (1975)
- Netherlands (1979)
- Canada (1983)
- France and Italy (1985)

1991

Acquisition of
SALEM TUBE
(EEUU)

1995

First commercial
office in Beijing



1999

Acquisition of
SCHOELLER
BLECKMANN
(AUSTRIA)

2000-2010

Commercial offices:

- Seoul (2000)
- Shanghai (2004)
- Sao Paulo, Brazil (2006)
- Dubai (2007)
- Moscow (2008)

Warehouses:

- Canada (2001)
- Metaux Inox Services (MIS), Lyon (2004)
- Indonesia and Shanghai (2005)

2014

Acquisition of
IBF (Italy &
China) and new
plant in Spain
(Cantabria)

2015

Acquisition of
PRAKASH
STEELAGE (INDIA)

Commercial offices in:

- India
- Singapur

More than 50 years of history

A strong Group to your service



A fully integrated player



Steel billets &
bars



Hot extrusion



Cold finishing



Pipes & tubes
& fittings



Master
distributor



Commercial
network

Global leader in seamless stainless steel tubes manufacturing with the
widest portfolio

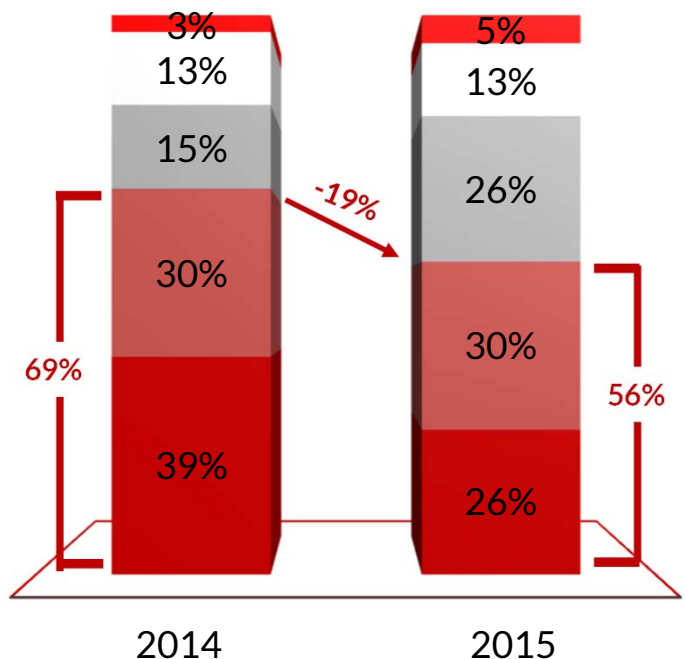
Key facts

- Worldwide largest supplier of seamless stainless Steel tubes
- Widest portfolio in the market
- 150 million EUR invested in the last 5 years
- More than 700 customers in more than 100 countries
- Commercial presence in 38 countries
- 2,300 professionals

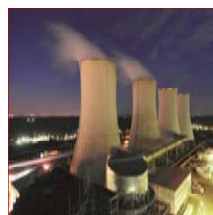


Leading provider of seamless stainless steel tubes

Sales breakdown by sector*



- E&P Oil&Gas
- Refining
- Power Gen
- Chem & Petrochem.
- Others



■ E&P Oil & Gas:

- Fall in the importance of E&P as a result of the cuts in the Capex of oil companies
- Better relative performance of the gas sector

■ Power Generation:

- Record year for sales of tubes for boilers at power stations with supercritical technology
- Integral tubular solutions thanks to the incorporation of IBF

■ Downstream:

- Better performance in terms of demand
- Downward trend throughout the year
- Sales to the LNG sector can be highlighted

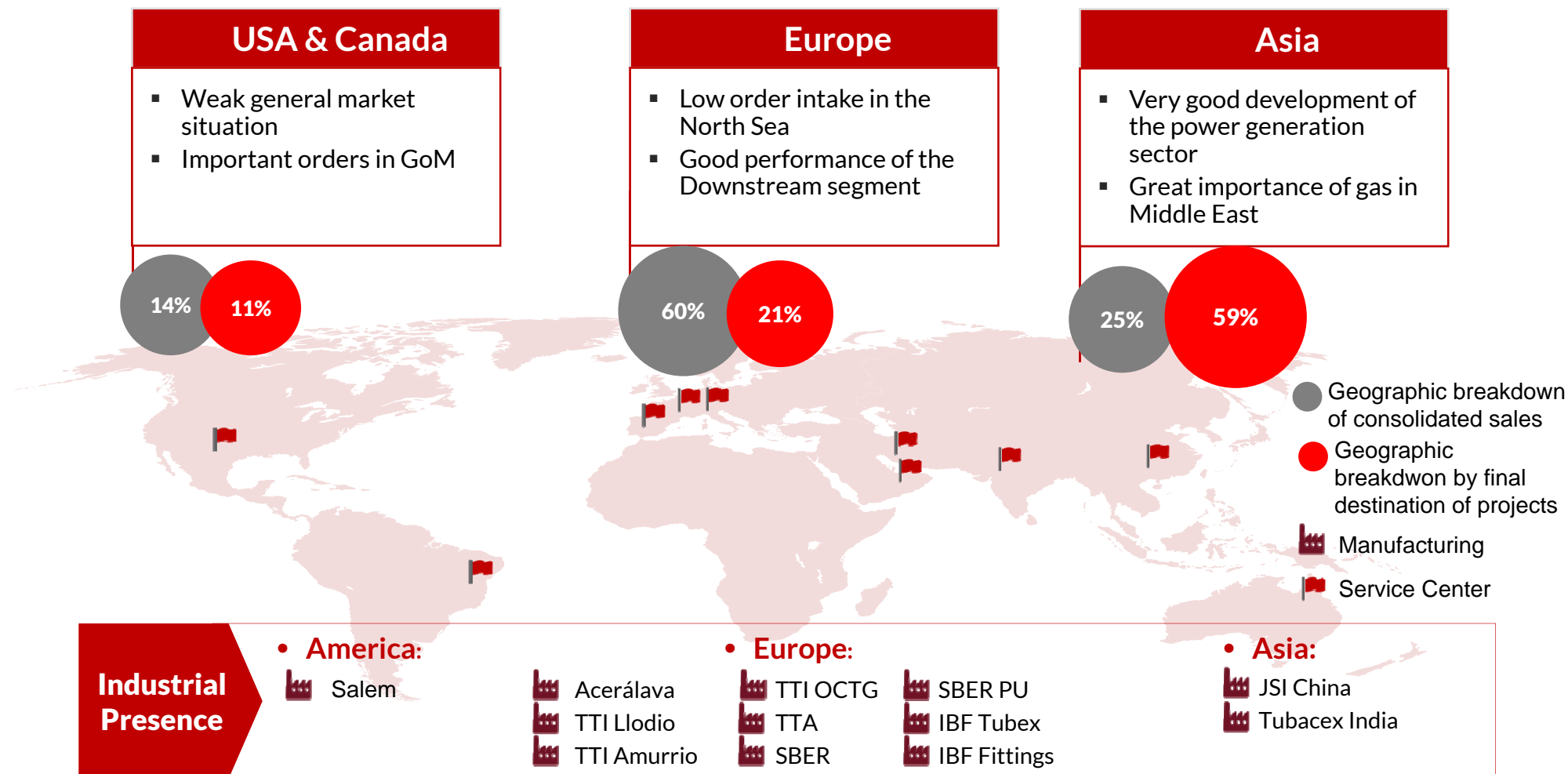
■ Other alloys

- Diversifying effort
- Incorporation of new grades in the product portfolio
- First orders in the fertilizer segment

Strong positioning in Oil&Gas and Energy

* Direct sales to engineering firms and end-users

Geographical breakdown



Asia emerges as the highest growth potential market worldwide

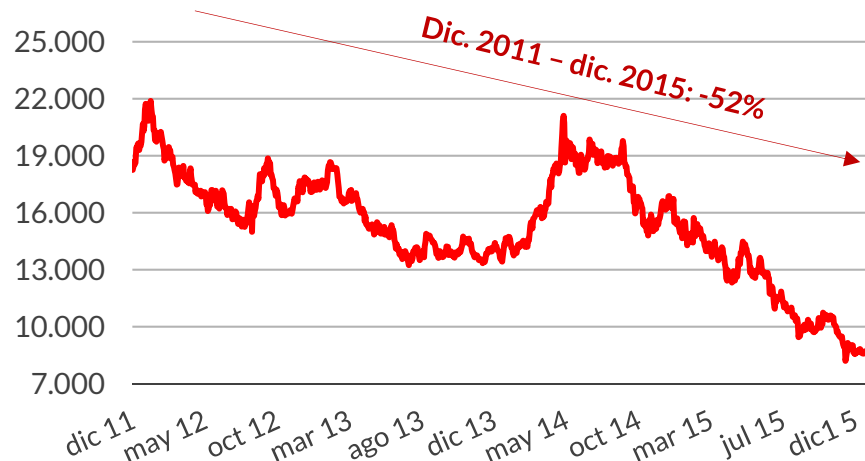


ASSESSMENT OF 2015

Macroeconomic environment

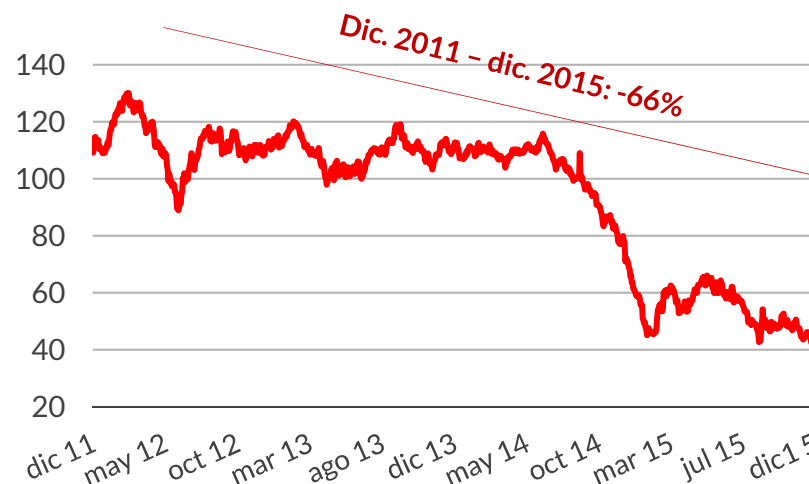
- Increasing uncertainty regarding growth sustainability has impacted the stocks markets and raw materials

Nickel price evolution (US\$/ton)



- The price of nickel closed September at 8,700 USD/ton, 42.1% lower than the closing of 2014.
- In average terms, the average price of nickel during 2015 was 11,859 USD/ton, 30% lower than its average in 2014.
- Since the end of 2011 nickel price has dropped by 52%.

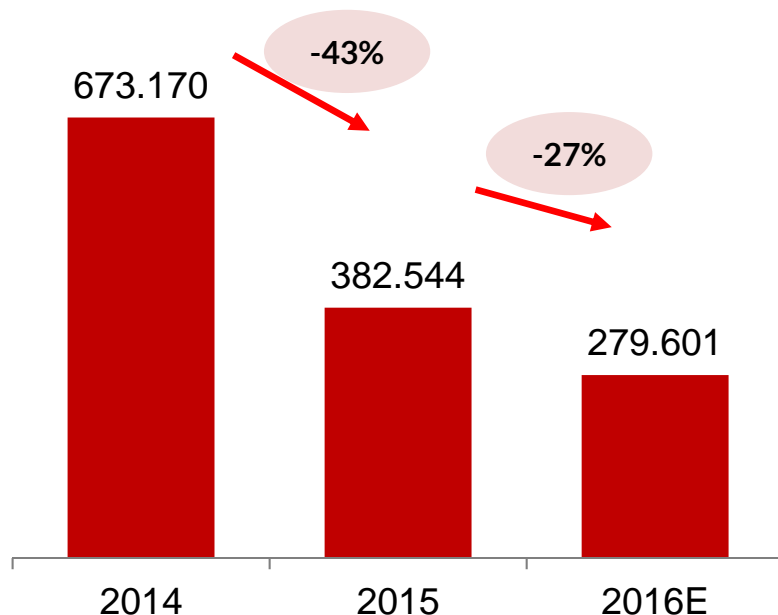
Brent price evolution (US\$/barrel)



- The brent barrel closed 2015 at 37.3 USD, a 35% drop for the year.
- This drop accumulates to the 49.8% drop of 2014.
- Since the end of 2011 brent price has fallen by 66%

Oil sector

Investments in E&P (\$mm)



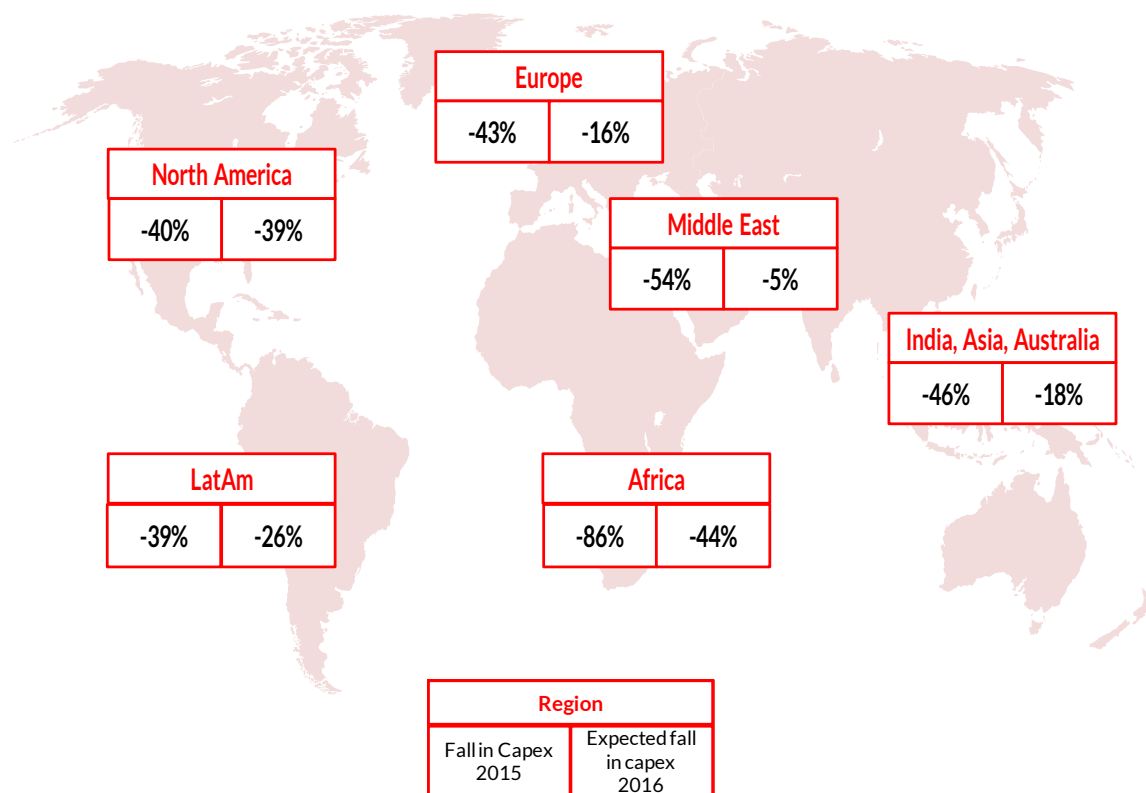
- We are facing the **worst crisis in the sector** since 1986
- It is lasting longer and is more intense than expected
- Investment expenditure fell by 43% in 2015, **the largest drop since 1986**
- The fall projected for 2016 implies that there will be **two consecutive years of reduced investment for the first time in 30 years**
- **No recovery of the sector** is expected **until the second half of 2017**

43% worldwide drop in E&P Capex in 2015

Source: Barclays Oil&Gas Weekly Report (22 March 2016)

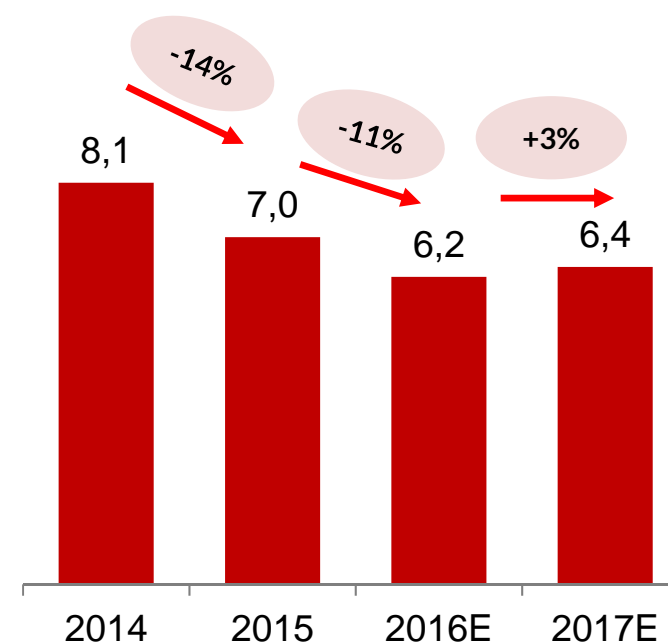
Investment in Oil sector

Upstream capex evolution



Source: Barclays report Oil&Gas Weekly (22nd March 2016)

Capex in Refining (b\$)



Source: Morgan Stanley Capital Goods Research (5th April 2016)

General decline in Upstream investments worldwide

General assesment of the year

- Existence of external factors with an adverse impact on TUBACEX's results...

NEGATIVE EFFECTS

Drop of nickel: Nickel price has fallen by more than 40% during 2015. In average terms, the average price of nickel during 2015 was 30% lower than its average in 2014. This continuous drop had an important negative impact both on the P&L and on the margins of the company.

Volume: Order intake decreased by around 30%-50% depending on the products, affecting the dilution of the fix costs.

Price: The drop of the demand has lead to an increasing pressure in prices resulting in a reduction of base prices.

MIX: Premium Products, mostly "A Products", affected specially in Subsea and E&P sector.

- ...partially compensated by Group's efforts

POSITIVE ISSUES

Cost reduction plan: Important cost savings achieved, both fixed and variable, and ongoing Plan to achieve further reductions

Production: Adjustment of the production scheme to the current situation.

New perimeter: Acquisition of two companies

Commercial strengthen: Strengthening of the commercial network, specially in strategic geographic areas

Product diversification: reducing the Oil&Gas dependency

Management Focus

1. Gain market share

- Sales organization strengthening
- Specific strategic product plan
- Global value offer for customers
- Accelerated pending standardization process
- ...

2. Continue doing the same things but better

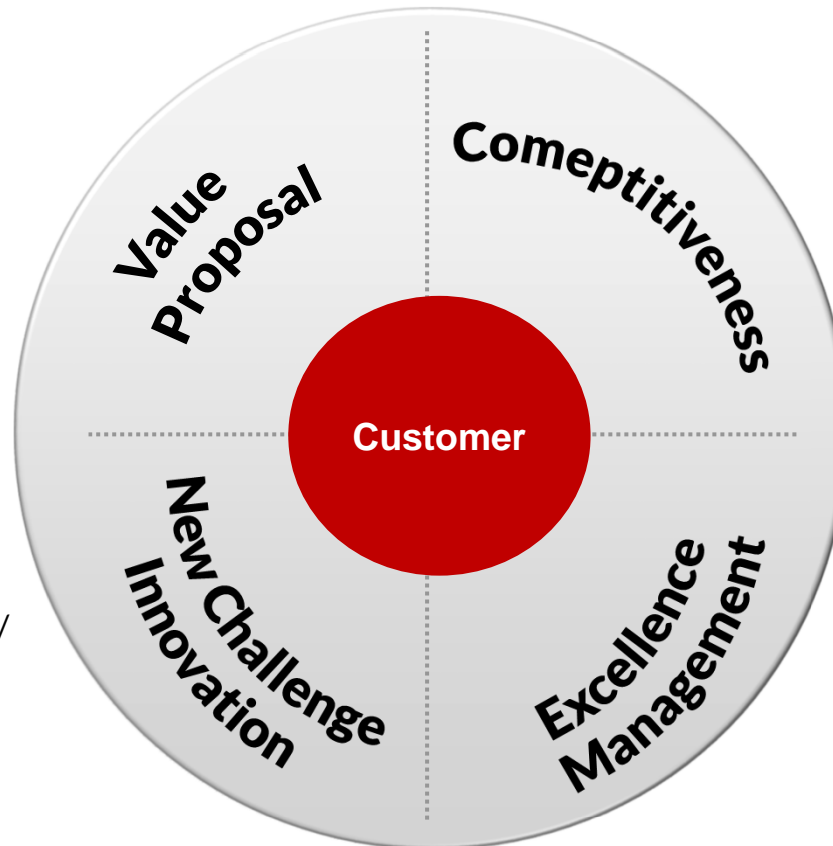
- Technical standardization
- TxPS implementation in all plants
- Action plan to reduce costs
- Radical improvement in plant
- ...

3. Do different things

- Innovation program for “New degrees” / “New Products”
- Innovation program for Processes / Technology
- New market / diversification analysis
- Other supplementary products
- ...

4. Improve management of resources

- Management per process procedures
- Long-term financial structure reorganization
- Health & Safety / Environment project
- Volatility reduction project
- CSR / Transparency
- ...



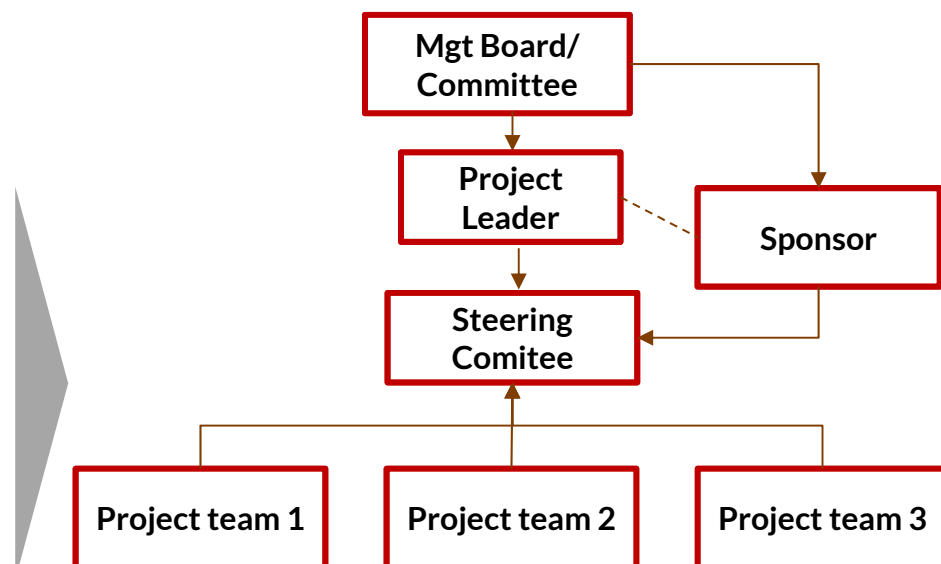
Focus on the customer: TUBACEX SOLUTIONS PROVIDER

Assessment of 2015



Launched projects

Winning market share					
Project		Responsible	Sponsor	Project team	
1.1	Strengthen for sales	Anton Azlor	Manuel Sarabia	J.E., A.S., M.S.	
1.2	Strategic Plan by product	Anton Azlor	Diego Herrero	Product Managers, BU Mgr, A.S., J.E.	
1.3	Project				
Doing the same better					
Project		Responsible	Sponsor	Project team	
1.4	TSS				
1.5	Full s	2.1 Project Low Cost	Aitor	Celes D.	Tomás G., Alejandra, Werner H.
1.6	Supp	2.2 Technical standardization	Alejandra	Diego H.	BU Mgr
1.7	Mark	2.3 Scrap management	Jl Roscales	Jesús E.	BU Mgr, Plant Manager
1.8	Bras				
1.9	Wid	2.4 Impro			
1.10	Steel	2.5 Logist			
1.11	Cant	2.6 TxPS i			
1.12	Corp				
		2.7 Indust			
		2.8 Cost re			
		2.9 Radica			
		2.10 Prever			
Do different things					
Project		Responsible	Sponsor	Project team	
3.1	New Products	Diego Herrero	Jesús Esmoris	Alejandra, Tomás, MgtB	
3.2	New Grades	Alejandra	Diego Herrero	MgtB, Tomás	
3.3	New Technology	Tomás Gastón	Diego Herrero	BU Mgr	
3.4	Alli				
3.5	EIC				
3.6	Col				
3.7	Ne				
3.8	Pat				
3.9	Flo				
Management excellence					
Project		Responsible	Sponsor	Project team	
4.1	Process Management	Vanessa Hurtado	Jesús Esmoris	MgtB, Plant Managers	
4.2	Financial reorganization	Guillermo Ruiz-Longarte	Jesús Esmoris	Financial Team	
4.3	Information management	Ramón Canivell	Guillermo Ruiz-Longarte	J.E., IT Team	
4.4	Account analysis	Germán	Guillermo Ruiz-Longarte	MgtB	
4.5	Risk management	Internal Audit	Jesús Esmoris	MgtB, Auditin Comission	
4.6	Financial consolid. tools	Guillermo Ruiz-Longarte	Jesús Esmoris	MgtB	
4.7	Communication mgmt	Comunic. Responsable	Jesús Esmoris	A.A., R.R., Julio, M.S., Irene, J.L.	
4.8	Organization & culture	Manuel Sarabia	Jesús Esmoris	MgtB, HR Team	
4.9	HS program	Werner Horvath	Jesús Esmoris	BU Mgr, M.S.	
4.10	Positive rating	Raquel Ruiz	Guillermo Ruiz-Longarte	J.E.	
4.11	Volatility reduction	Guillermo Ruiz-Longarte	Jesús Esmoris	MgtB, IT, Controlling	



Sponsor: Appointed by Mgt Board. Supports, takes part in Steering Committee, guaranties the correct resource allocation, consultants.

Management Committee: Defines projects, designates resources and reviews / monitors their status

Project Leader: Responsible for leading the project, arranging meetings, following up, indicators ...

Steering Committee: Follow-up actions and indicators, corrective actions, etc.

42 improvement projects across the organization

New Perimeter

IBF

TUBACEX
GROUP

- Reinforced competitive position
- Sectoral diversification
- Combined offer of tubes and fittings
- Manufacturer offering a wider dimensional range
- Plants in Italy and China

TUBACEX SERVICES

TUBACEX
GROUP

- Greenfield Project in Cantabria
- Offer of value-added services:
 - Machining
 - Coatings
 - Shot-peening
 - etc.

TUBACEX INDIA

TUBACEX
GROUP

- Reinforcing our positioning in rapid growth markets
- Recovering competitiveness in certain ranges
- Plant in India

TUBACEX SERVICE SOLUTIONS

TUBACEX
GROUP

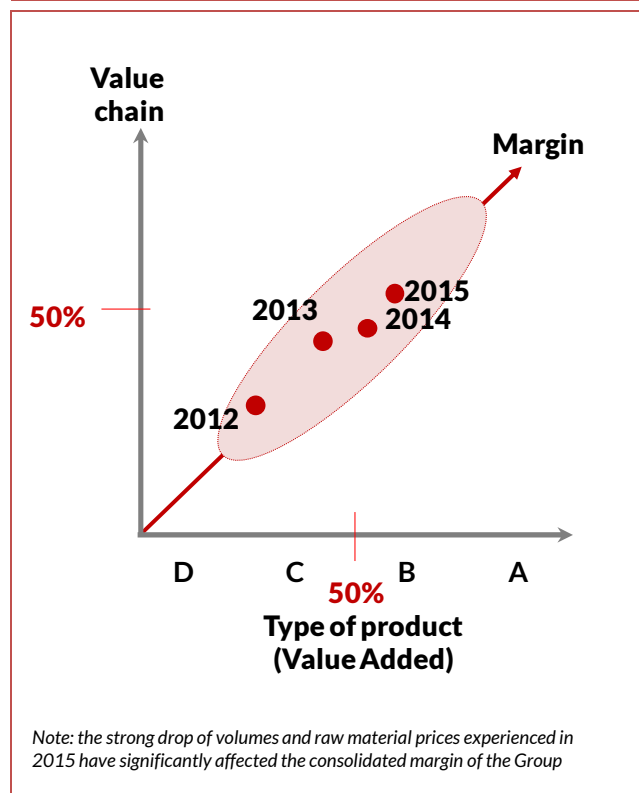
- Worldwide Master Distributor
- Consolidation of all the Group's service centers into a unit focusing on production optimization and the sale of standard products



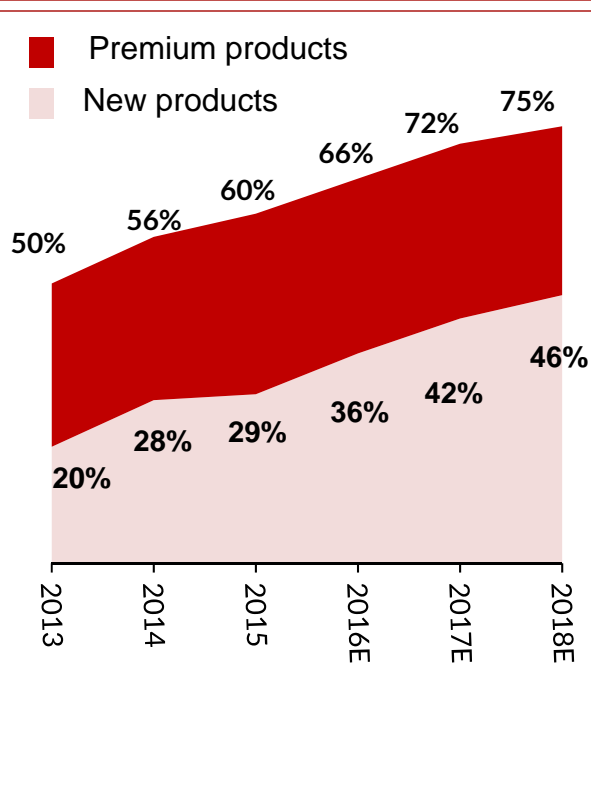
We have achieved our strategic perimeter

Business Strategy

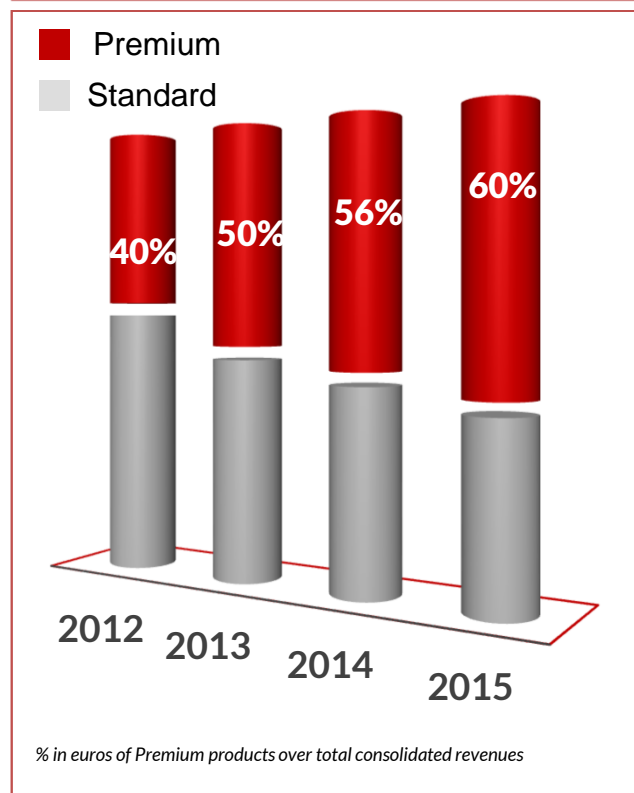
Focus on added value



Long-term objective

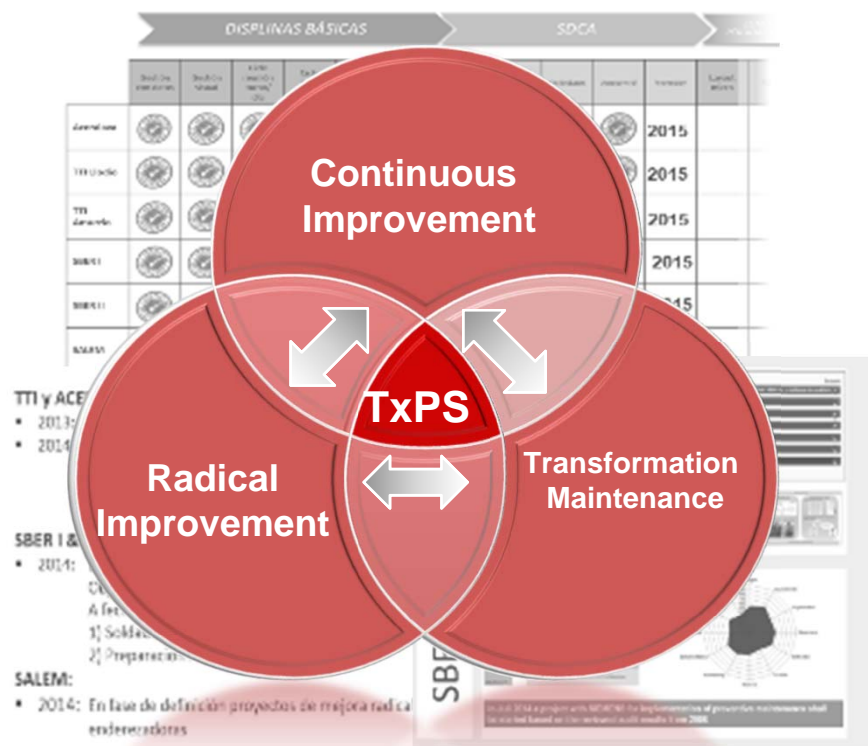


Product breakdown



Moving forward in the value chain with Premium Products

Integrated focus on improvement



Continuous Improvement

- Reorganization of the Roadmap, giving greater flexibility to plants and integrating Health and Safety as basic components
- Significant improvement in the use of machines and flow creation

Radical Improvement

- Continuation of the radical improvement program with 2-3 projects each half year
- Significant savings obtained

Maintenance Transformation

- KPI and benchmark standardization project at a Group level
- Increased OEE and critical machine reliability
- Implementation of autonomous maintenance in all plants

Corporate Presentation 2016

Assessment of 2015

Operational Strategy



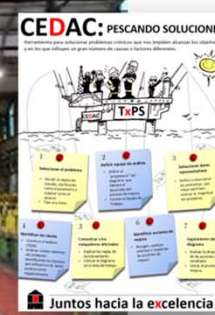
TxPS Deployment Roadmap



Innovation 2015: Integration of Safety tools in TxPS B and reorganization of other tools to facilitate integration in new companies in less time

Results 2015

	DISCIPLINAS BÁSICAS						SDCA			
	Gestión con datos	Gestión visual	Ciclo reunión turno/día	Ciclo Mes (PDCA)	5 S	Mtto. autónomo	VSM	Flujo material/Pull	Estándares	Autocontrol
Aceralava	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TTI Llodio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TTI Amurrio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SBER I	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SBER II	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SALEM	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PRAKASH	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IBF	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



Innovation Strategy

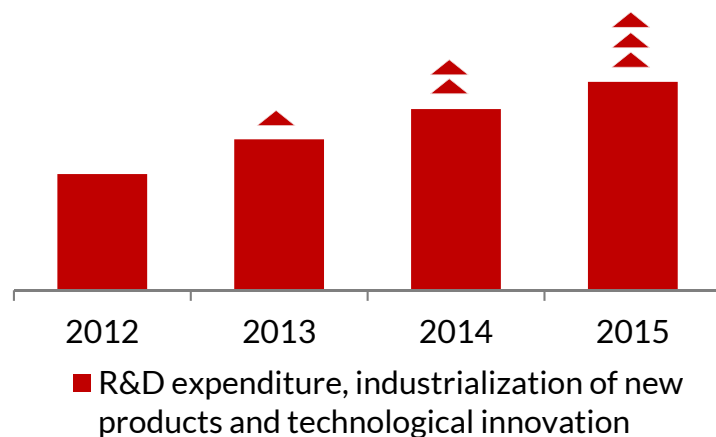


- Business vision focus on client

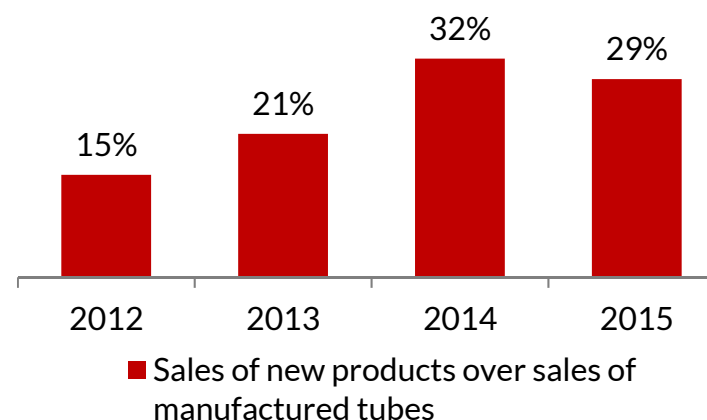
Transforming the most demanding needs into customized solutions of high technological value developed in co-creation with customers

- Support of EIB through a loan to finance the Innovation and Technological Development plan defined for 2015 - 2019

R&D Expenditure



Sales of new products



Management strategy

Initiatives

Management Cycles

- Implementation of management cycles:
 - Shift / day / month / week / management plan / strategic cycle
- Higher standardization and PDCA deployed to over 180 people



Data management

- Analysis tools at different levels: financial, operations, etc.
- Defined KPIs for global control panel
- Report standardization



Process Management

- Corporate architecture and single process map definition
- Global deployment of best practices and standardization



Organization aimed at Results

- Implementation progress of new organization and initiated forums
- Defined roles and corporate duties



System review and improvement

- Key People training and self-appraisal
- Introducing actions in 2015 strategic plan
- EFQM assessment and report



Better management of resources

- Strengthening of sales organization
- Optimization of financial resources
- New debt structure
- Reshuffling of the corporate organization
- Management model based on monitoring all of the management indicators
- Creation of the Tubacex Foundation to manage social work

Continuous implementation of advanced management tools

General Considerations

- **Under normal market circumstances**, 2015 would have been the **year for the consolidation of the Strategic Plan**, practically fulfilling the objective set for 2017
- Calculation of the 2014 pro forma factors places the EBITDA in excess of €80 M even including the results for the second part of the year, which were already affected by the oil crisis

	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%	

- The new market situation has slowed our growth down but **does not divert us from our Strategic Objectives**

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

Assessment of 2015



FY 2015 P&L

<i>Mill.€</i>	2014	2015*	% var.
Revenues	546,7	533,4	-2,4%
EBITDA	64,1	48,9	-23,7%
EBITDA margin	11,7%	9,2%	
EBIT	43,7	15,6	-64,4%
EBIT margin	8,0%	2,9%	
Net Profit	23,8	8,4	-64,6%
Net margin	4,3%	1,6%	

* Significant change in the consolidation perimeter vs. 2014

Resilience to crisis shown in the financial results

Balance Sheet

<i>Mill.€</i>	2014	2015*	Var. (M€)
Non current assets	287.3	394.4	107.1
Net working capital	202.4	210.1	7.7
Total Net Assets	489.7	604.5	114.8
Total Equity ⁽¹⁾	285.1	317.5	32.4
Net Financial Debt ⁽²⁾	151.5	220.5	69.0
Others (net)	53.1	66.5	13.4
Total Equity and Liabilities	489.7	604.5	114.8

* Significant change in the consolidation perimeter vs. 2014

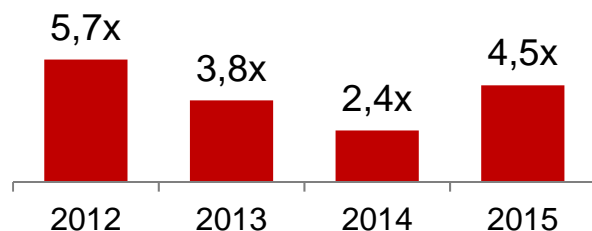
(1) Equity attributable to holders of equity instruments in the parent company

(2) Net financial debt = current and non current bank borrowings less cash and cash equivalents

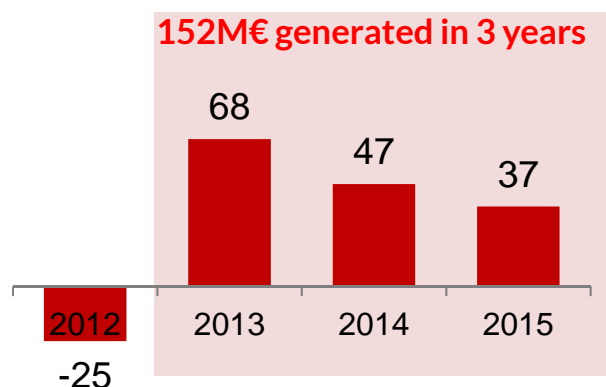
Strong balance sheet and sound financial structure

Financial position

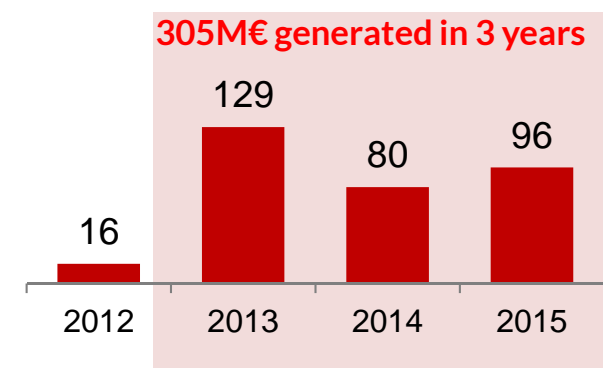
NFD/EBTIDA (times)



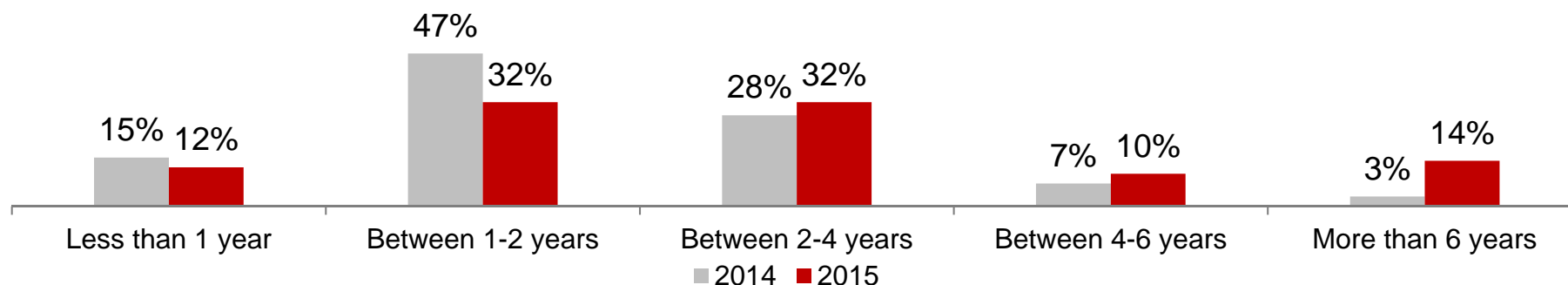
Cash flow before acquisitions



Gross Cash flow



Debt maturities schedule



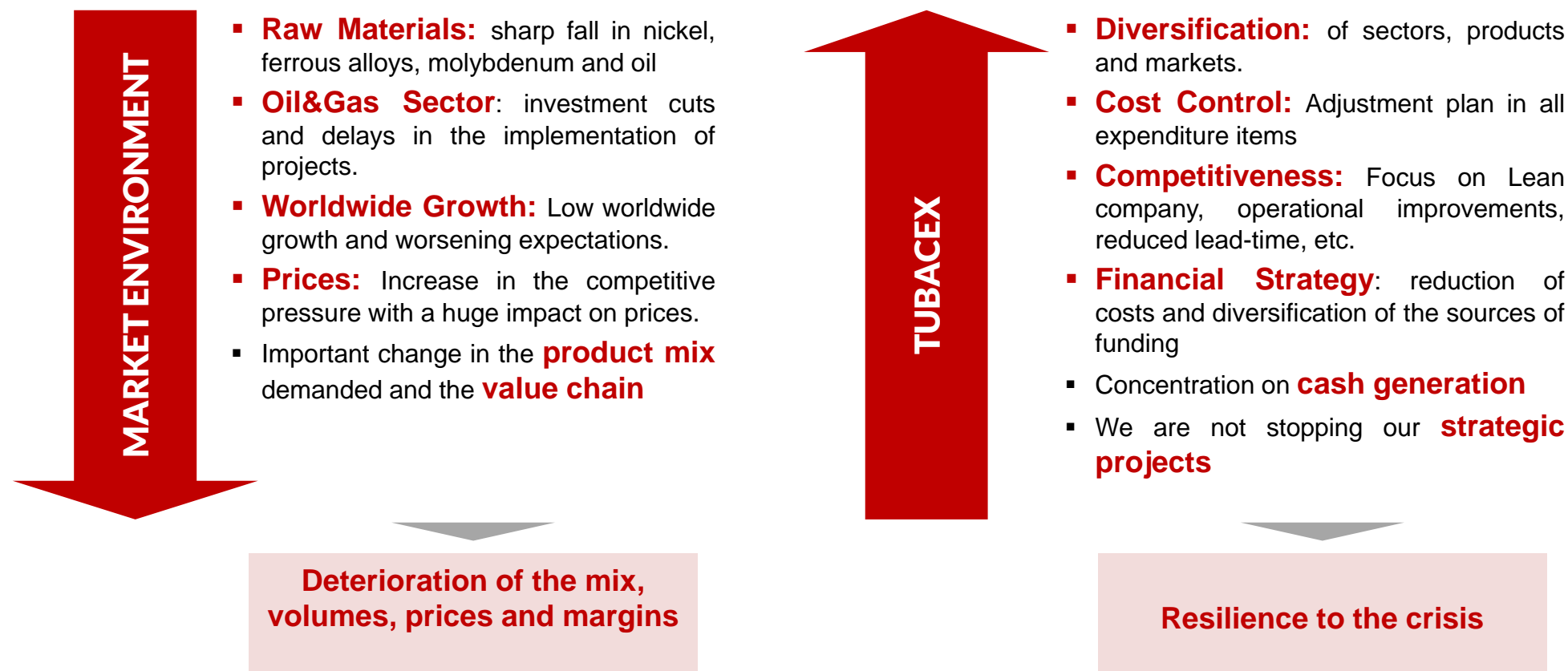
High cash flow generated allows financial soundness



PROSPECTS FOR 2016

TUBACEX Action Plan

We do not foresee a change in the market



Offsetting the crisis in today's market

Key issues for the 2016 FY

- Providing **the best solution** by...

New Products

- Co-development with customers
- New grades and materials
- Offer of new dimensions and applications
- Design of customized solutions
- Complementary products

New Technologies

- Lean manufacturing practices
- New production processes

New services

- Additional treatments and finishes
- Optimized logistics centers / Time to market
- Assistance at plants and maintenance

Concept design



Product design



Manufacture



Logistics



Installation & Maintenance



Growing in the complete Value Chain to become the best supplier for integrated solution

Key Aspects

- Concentration on **cash generation** and defending the **Balance Sheet**
- **Continuation** of the **projects** launched in 2015
- Focus on the **plan to reduce overheads**
- **Growth** from the increased market share in strategic products and markets and entry into **new sectors** other than Oil&Gas
- Improved **market positioning** with End-user and EPCs
- Development of **new products, grades and technologies**
- Rapid evolution towards **Supplier of comprehensive Solutions**
- We will not stop **important strategic investments**

We will emerge stronger from this crisis

Prospects for 2016



Main financials Q1 2016

<i>Mill.€</i>	Q1 2015	Q1 2016	% var.
Revenues	159.8	121.4	-24.0%
EBITDA	17.5	7.8	-55.6%
EBITDA margin	10.9%	6.4%	
EBIT	10.4	(0.6)	n.m.
EBIT margin	6.5%	neg.	
Net Profit	6.6	(0.5)	n.m.
Net margin	4.2%	neg.	
	Dec. 2015	Q1 2016	% var.
Net working capital	210.1	221.2	5.3%
Net Financial Debt	220.5	238.5	8.2%
NFD / EBITDA	4.5x	6.1x	

Results withstand the severe crisis of the sector

Commitment to growth (M&A)



- TUBACEX has signed an **Letter of Intent** to acquire a significant stake in the stainless steel Fittings division of Awaji in the forthcoming months
- The Division's aim is to invoice **20-25 million euros** over 3 years
- The transaction shows the commitment to the TUBACEX **growth strategy** and moves forward in the objective of becoming a **global supplier of tubular solutions**

- First production implant in South East Asia
- Important commercial presence in Japan



- It complements the range of fittings currently offered by the Group
- Prestigious brand dating back over 70 years
- Products: elbows, reducers, tees and caps in stainless steel

Objective: supplier of comprehensive solutions



STRATEGIC PLAN

Four strategic targets

Clients

**Be a benchmark
supplier for
customers**



- Market share
- Quality / service
- Satisfaction survey
- Entry in new products

People

**Be the Company for
which people want
to work**



- Safety
- Quality Index
- 180°/360° evaluations

Market

**Reduce market
volatility**



- Break-even vs. sales
- Product diversification
- Market diversification
- Alliances and M&A

Shareholders











**Double the
Company's value in
5 years**



- Results: EBITDA, EBIT, etc.
- Debt / EBITDA
- Enterprise & Equity Value

Commitment to strategic targets

Strategic Plan Phases

	STARTING POINT	GOAL Cash Generation	FULFILLMENT	GOAL Growth	FULFILLMENT
	FY 2012	Phase I 2013-2014 	FY 2014	Phase II 2015-2016 	FY 2015
Product Mix	27%	30% Premium Products vs. 70% Traditional	36.2% 	40% Premium Products vs. 60% Traditional	56% 
Sales Growth	n.a.	>15%	+15.0% ¹ 	> 15%	+1.5% ¹
EBITDA Margin	8.6%	10%	11.7% 	12%	9.2%
Net Debt / EBITDA	5.7x	< 3x	2.4x 	2 – 3x	4.5x
RoCE	5.2%	10%	10.0% 	12%	2.9%
Working Capital / Sales	55.3%	45%	37.0% 	40%	39.4% 

Successful fulfillment of Phase I

1. Sales growth 2012 assuming the stable nickel price of 2012

Expected Trends 2016

The market has changed...

- It will take some years to return to the level of new projects launched in 2013-2014
- Only projects that are sustainable at barrel prices of 50-60 USD will be approved
- Capex level required for similar projects before the crisis will be reduced by 20-30%
- Corporate mergers change the decision-making centers
- Intermediaries that do not add value will disappear

... and it will not be the same as before

The sector is being restructured

Our Response

- We must be proactive, offering the market:
 - **Co-design** in the prior phase to optimize costs
 - **Standardization** in the design of plants
 - Multi-year **framework contracts** offering “just in time” services and better prices
 - **Elimination of “non-value”** in the whole supply chain
 - **Service** in installation and after-sale maintenance



Real contribution to the optimization of costs and reduction of Capex

Management Focus Evolution



Focus 2016...



**From tube manufacturer... to supplier of solutions and services
Diversifying our positioning in the energy sector**

Summary of Perspectives 2016

Prospects

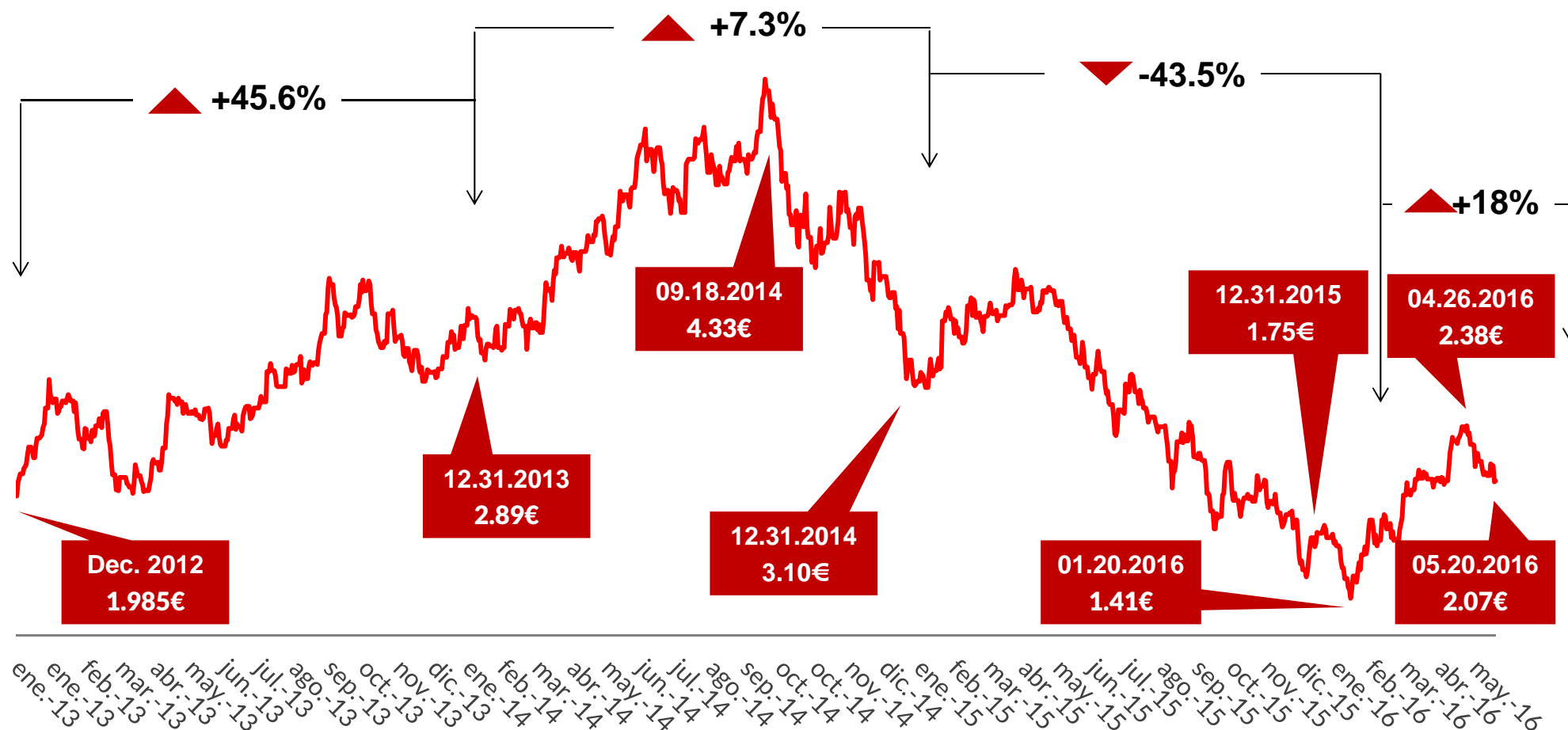
- We enjoy a sound financial position
- We hope to have touched rock bottom in the first quarter of the year
- We are taking the appropriate measures to optimize the short term without jeopardizing the medium and long term
- We are active in important projects that may be a differential factor this year and in forthcoming years
- We continue to improve our commercial positioning
- We are increasing our competitiveness through our commitment to continuous improvement and increasing our production capacity in Asia
- Concentration on the year's cash generation

WE WILL EMERGE STRONGER FROM THIS CRISIS!!!



STOCK EXCHANGE

Stock price evolution

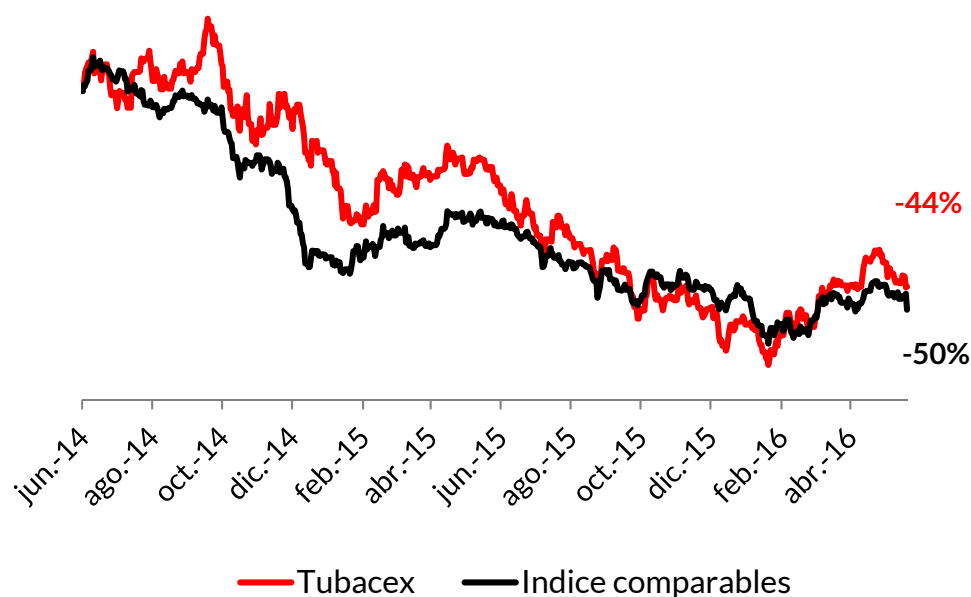


Drop in line wiht oil fall (-35%) and nickel fall (-42%)

Data as of 20 May 2016

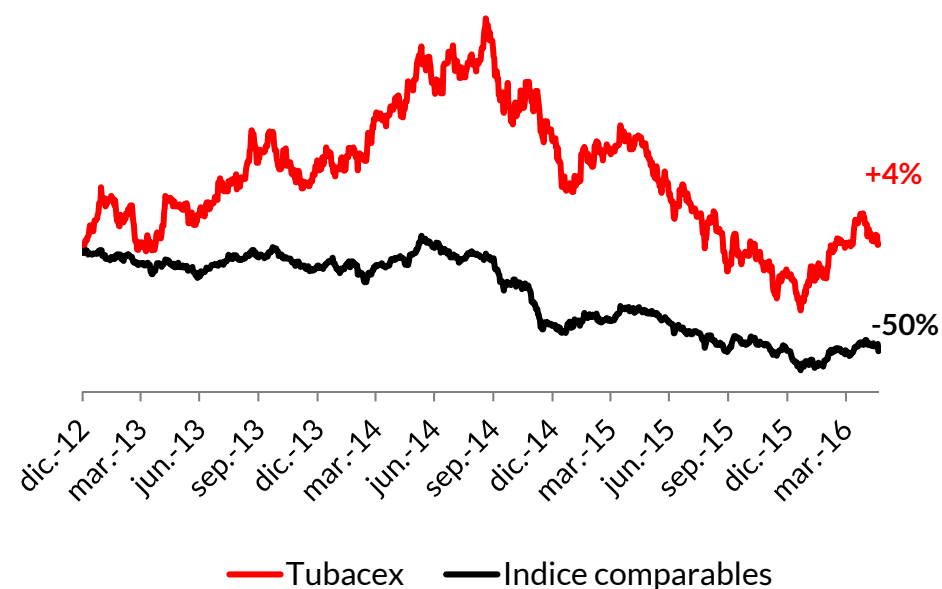
Share Evolution

Evolution since June 2014



Since the start of the oil crisis, Tubacex performance has been the best in the sector

Evolution since 2013



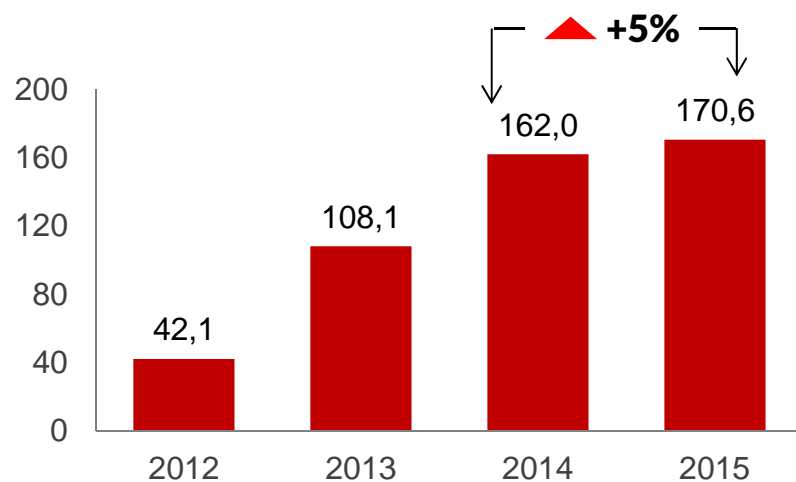
Since the start of the new Strategic Plan, the value of Tubacex shares has increased by 4%.

Significantly outperforming the sector

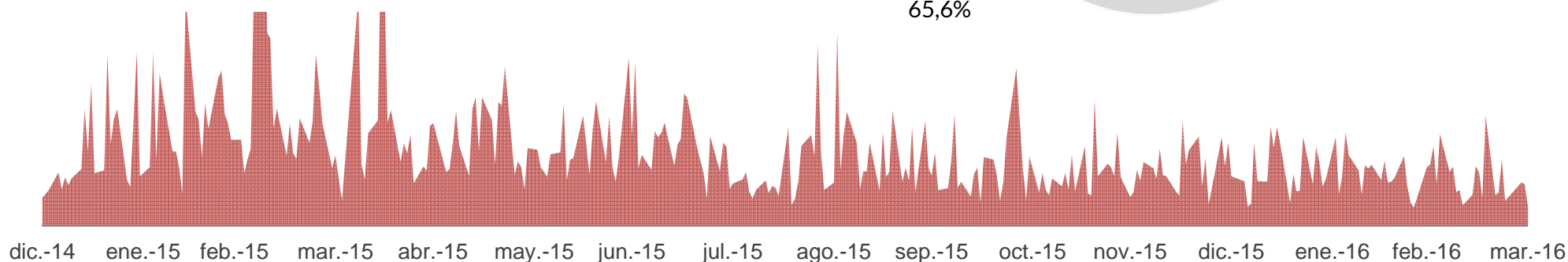
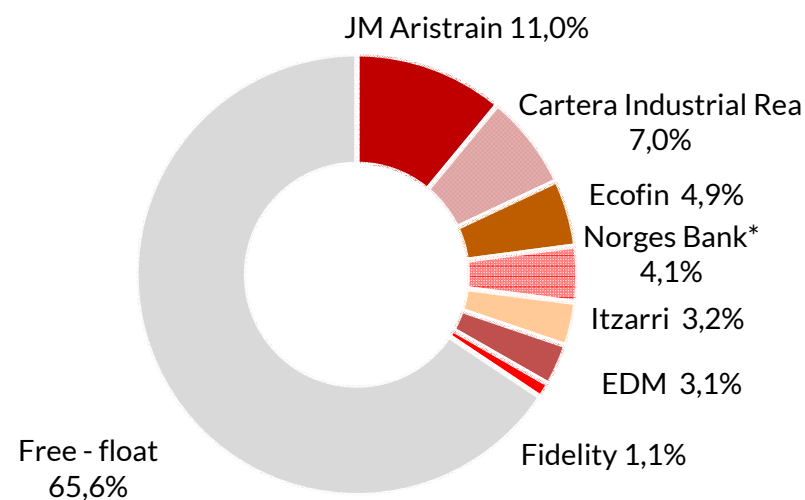
NB: the comparable ratio shows the average trading evolution of the major service suppliers for the Oil&Gas sector

Liquidity

Traded securities (million securities)



Shareholder Structure



Improvement of traded volumen and stable shareholder structure

THANK YOU!



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