

# PRESENTATION OF THE RESULTS

3<sup>rd</sup> quarter of 2014



Mr. Jesús Esmorís  
**TUBACEX CEO**

"Throughout the first nine months of 2014, TUBACEX has made significant progress in the fulfillment of its strategic objectives. Thanks to its Business Strategy, with a clear focus on Premium Products, and its Operational Strategy, based on continuous improvement, TUBACEX has significantly improved its results and margins.

In spite of the deterioration of the macroeconomic climate in the third quarter of the year and the fact that this quarter is always affected by the summer season, the results achieved are very positive. The EBITDA stands at 14.1 million Euros, reaching 49.0

million Euros in accumulated terms, up 26.9% on 2013 with a margin over sales of 12.3%. In terms of Earnings Before Tax, the accumulated figure for the year amounts to 25.2 million Euros, almost double that of 2013.

The results released today accelerate the fulfillment of the objectives related to the EBITDA margin, net debt and working capital set out in the Strategic Plan. The improvement of the product mix together with the Group's operational improvements has enabled us to reach an EBITDA margin in excess of the 12% target. On the other hand, the improved management of the working capital has enabled the proportion of working capital over sales to be reduced below the 40% objective. All of these efforts have led to a significant reduction in the Net Financial Debt, which currently stands at 2.4 times EBITDA.

Within the growth axis included in the Strategic Plan, I am pleased to announce that TUBACEX has reached an agreement to acquire a majority stake in IBF, a leading manufacturer of high alloy stainless steel tubes and special

fittings, with bigger outside diameters and wall thicknesses than those currently produced by TUBACEX. This operation is 100% in line with our Strategic Plan and enables us to extend our product range with Premium products, increase our presence in the oil & gas and power generation sectors and move forward in the value chain. Furthermore, in geographic terms, it enables us to increase our presence in Asia, one of the markets with the highest expected growth, where a production plant is also based.

I would like to remind once more that the Group's commitment to its objective of net financial debt below 3 times EBITDA is firm and will continue to be fulfilled following this acquisition.

Finally, I would like to point out that the deterioration of the macro environment and the sharp fall in the price of oil over recent weeks has led to increased uncertainty in the market and a scenario with limited visibility. However, TUBACEX has every confidence in its solid Management Plan and that these temporary factors will not affect the fulfillment of the Company's Strategic Plan".



## MARKET ENVIRONMENT

The third quarter of the year has been characterized by the increasing macroeconomic and geopolitical uncertainty. The activity indexes reveal markedly different situations according to the countries. Whilst the USA economy is accelerating, activity in Japan has reduced more than expected and China appears to be withstanding the growth rate. In Europe, there are also significant geographic differences. On one hand, the data for Spain

is positive but, on the other hand, the weakness shown in the Italian, French and German economies is surprising.

As far as raw materials are concerned, September has been characterized by the adjustment of prices, reducing the strong upward trend seen in the first half of the year. **Nickel** began January at 14,000 USD/ton and in spite of the September adjustment; it closed the third quarter at 16,000

USD/ton, up 18.6% so far this year.

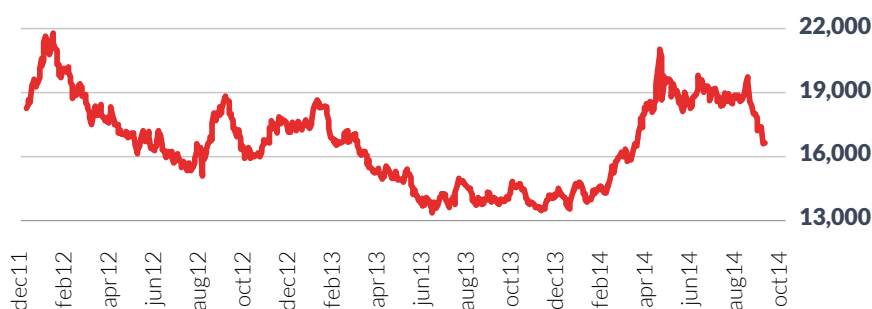
The other two alloys with a significant weight in the Group's supplies for the manufacture of stainless steel, **molybdenum** and **chromium**, have also varied in the same way as nickel, with a slight fall in prices during the last quarter.

As for **oil**, the third quarter of the year has led to a change in its upward trend, closing the quarter at 94.3 USD/barrel.

### EVOLUTION OF THE NICKEL PRICE

DEC 11 - SEP 14 (\$/ton)

In terms of average prices, it stands at 17,293 USD/ton, 12% higher than the average price in the same period of 2013. It is worth pointing out that the negative trend in the price of nickel has continued throughout October, falling to below 15,000 USD/ton.



### EVOLUTION OF THE BRENT PRICE

DEC 11 - SEP 14 (\$/barrel)

At the end of September, the accumulated fall in oil prices was 14.6%, and has been further intensified in October, when the Brent barrel price fell to 83 USD. In spite of this, TUBACEX firmly believes in its commitment to the Upstream sector and the good investment perspectives in the Oil&Gas sector in the medium term.





## KEY FINANCIAL FIGURES

The results obtained by TUBACEX in the first nine months of the year show that the Company is achieving the objectives set out in its Strategic Plan.

At the end of September, the sales figure stood at 400 million Euros with an alloy surcharge that has remained considerably lower than 2013, with the exception of the last quarter.

TUBACEX continues focusing primarily on operational excellence and increasing its high value-added products. Achievements in these two areas have considerably improved the EBITDA Margin, placing it at 12.3%, far higher than the strategic objective of 10% for

the year end and even above the 12% target set out in Phase II of the Strategic Plan (2015-2016). Therefore, the EBITDA for January - September has reached 49.0 million Euros, which represents growth of 26.9% with respect to the same period in 2013.

EBIT reached 33.9 million Euros, up 40.4% on 2013 and a margin of 8.5%, significantly higher than that of the previous year (5.9%).

The net financial debt has been reduced by 45.0 million Euros over the first nine months of the year, falling from 194.6 million Euros at the close of 2013 to 149.6 million Euros in September 2014.

The Net Financial Debt over EBITDA for TUBACEX stands at 2.4 times, once more fulfilling the Group's objective of financial debt of less than 3 times by the end of the year.

In this respect, the effort made in the management of the working capital has enabled TUBACEX to reduce its working capital to 210.1 million Euros.

The working capital figure represents 38.8% of sales for the past 12 months, hence fulfilling the objective of closing the year at 45% and even bringing forward the fulfillment of the 40% objective set out in Phase II of the Strategic Plan.

### FINANCIAL FIGURES

(€ M)

	9M 2014	9M 2013	change %	Q3 2014	Q3 2013	change %
<b>Sales</b>	<b>400.0</b>	<b>412.0</b>	<b>-2.9%</b>	<b>123.4</b>	<b>114.1</b>	<b>8.2%</b>
<b>EBITDA</b>	<b>49.0</b>	<b>38.6</b>	<b>26.9%</b>	<b>14.1</b>	<b>7.4</b>	<b>91.7%</b>
EBITDA margin	12.3%	9.4%		11.5%	6.5%	
<b>EBIT</b>	<b>33.9</b>	<b>24.1</b>	<b>40.4%</b>	<b>9.9</b>	<b>3.6</b>	<b>172.8%</b>
EBIT margin	8.5%	5.9%		8.0%	3.2%	
<b>Profit before taxex</b>	<b>25.2</b>	<b>12.8</b>	<b>97.0%</b>	<b>7.3</b>	<b>0.0</b>	<b>n.s.</b>
Margin	6.3%	3.1%		5.9%	0.0%	

	30/09/2014	31/12/2013
<b>Working Capital</b>	<b>210.1</b>	<b>217.6</b>
<b>Equity Group Share</b>	<b>279.0</b>	<b>259.9</b>
<b>Equity / Total Assets</b>	<b>42.7%</b>	<b>40.8%</b>
<b>Net Financial Debt</b>	<b>149.6</b>	<b>194.6</b>
<b>NFD/ EBITDA</b>	<b>2.4x</b>	<b>3.8x</b>



## QUARTERLY EVOLUTION

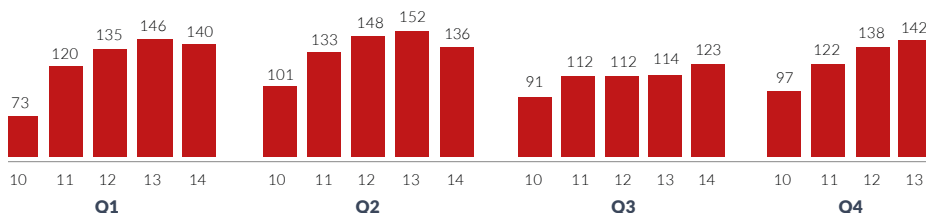
It is worth remembering that the results for the third quarter always include an important seasonal component for TUBACEX as the maintenance downtime at the main facilities takes place in August.

It must also be pointed out that the results for the third quarter of 2013 were affected by a more prolonged seasonality as a result of a longer stoppage at the extrusion plant in Llodio to increase its power.

However, the results for the third quarter of 2014 reveal a significant improvement with respect to the results for the third quarter of the previous year.

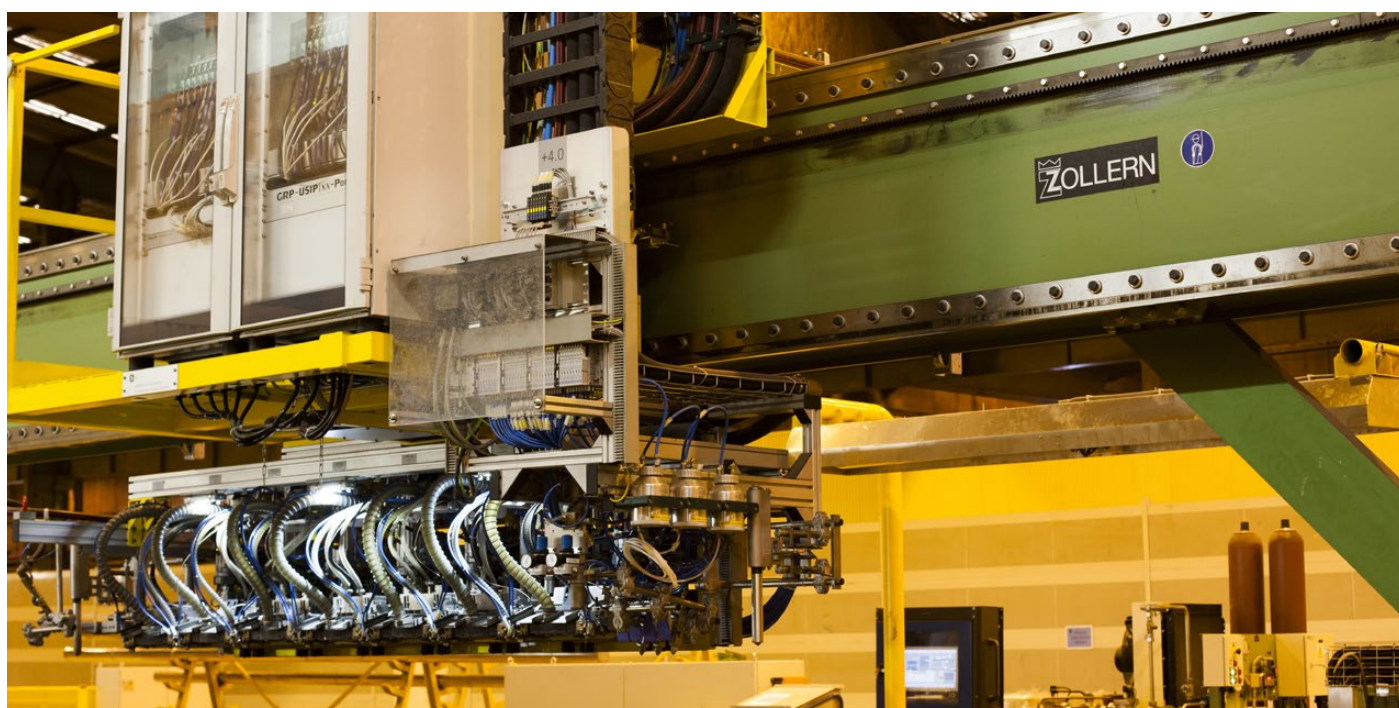
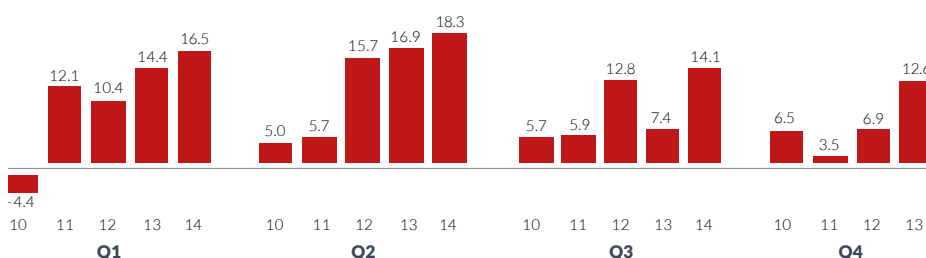
The sales figure reached 123.4 million Euros, up 8.2% with respect the third quarter of 2013.

### QUARTERLY EVOLUTION OF THE SALES FIGURE (€ M)



The EBITDA for the third quarter of the year stands at 14.4 million Euros, up 91.7% on the EBITDA for the third quarter of 2013 with an EBITDA margin of 11.5%.

### QUARTERLY EVOLUTION OF THE EBITDA (€ M)





## BUSINESS EVOLUTION

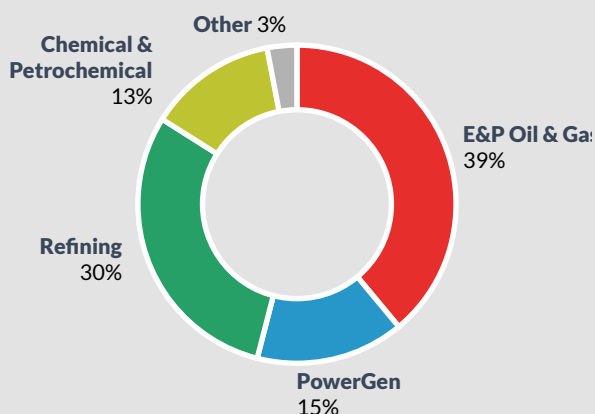
The macroeconomic uncertainties have led to a slowdown in demand during the third quarter of the year. Fortunately, the growing importance of the **Projects Market** within the

Group is allowing the continuation of the improved results trend shown throughout the year.

The order intake in the **Distribution Market** continues to be low, although

it has begun to show some signs of recovery over the past month.

Currently TUBACEX has its backlog sold until January/February 2015.

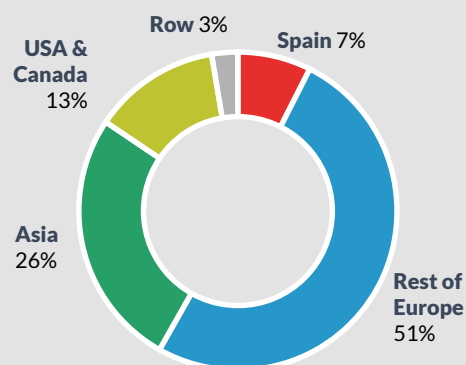


### BREAKDOWN OF SALES PROJECTS

First 9 months of 2014

By segments, the **Oil & Gas Exploration and Production** segment continues its good performance and has increased its weight in the Group's total sales, in line with the Company's strategic objectives. Within this sector, the performance of Subsea tubes can be highlighted, which includes tubes for high pressure equipment and tubes for Oil&Gas production in aggressive environments, which are showing a positive demand trend.

As for the **Powergen** sector, demand during the third quarter has fallen off slightly, which can only be expected following the boom experienced in the past quarters, although orders for supercritical boilers for China continue to have a significant weight in the Group's sales. In terms of the **Refining** sector, demand has remained low although important orders have been received from the USA.



### GEOGRAPHIC DISTRIBUTION OF SALES

First 9 months of 2014

Geographically, more than half of the revenue of the Group proceeds from Europe. A variable to be taken into account is the Group's sales for new facilities in the oil, gas and energy sectors, in which the engineering companies and manufacturers are often European (and therefore Europe is the sale destination), but the final destination of the product is a different geographical area.



## SIGNIFICANT EVENTS

### DIVIDENDS

July 1, 2014

TUBACEX has paid a supplementary dividend of 0.0231 Euros per share (before tax) on 1st July.

The Company paid out an interim dividend of 0.0231 Euros per share (before tax) last November, whereby the total dividend payment for 2013 was 0.0463 Euros per share, representing a pay-out of 40%.

### EMISSION OF PROMISSORY NOTES

July 8, 2014

On 8th July, TUBACEX launched an emission of promissory notes of twelve months, for a total of 14.9 million Euros.

This emission joins those launched in June, all of which via the Alternative Fixed Income Market (MARF), which admitted on 21st May the Emission of Promissory Notes Program requested by TUBACEX.

### UPDATING OF THE STRATEGIC PLAN

July 11, 2014

On 11th July, TUBACEX held an Analyst Day in Madrid where it explained the progress of the Strategic Plan presented in 2013 and announced the anticipation by one year of the objectives set for 2017.

### AGREEMENT OF INTENT FOR THE ACQUISITION OF IBF

July 31, 2014

On 31st July, TUBACEX announced the signing of a letter of intent for the acquisition of the Italian Company, IBF SpA with the aim of formalizing the operation in the last quarter of the year.

IBF is a leading manufacturer of high alloy stainless steel tubes and special fittings, which are larger and thicker than those currently produced by TUBACEX. The operation falls into the growth strategy set out in the TUBACEX Strategic Plan and its successful conclusion will enable the company to complement its product range and increase its presence in the oil & gas and power generation sectors.

*Following the close of the quarter, on 31st October, TUBACEX has entered into an agreement to acquire 65% of IBF.*

### THE RECENT TUBACEX HOMOLOGATION BY TOTAL REAPS ITS REWARDS

October, 2014

TUBACEX has received its first order to supply OCTG tubes to the Total oil company for a project in the Middle East. This order is an important move forward in the TUBACEX strategic objective of increasing its positioning in high value-added products and applications for the leading operators in the Oil&Gas sector.





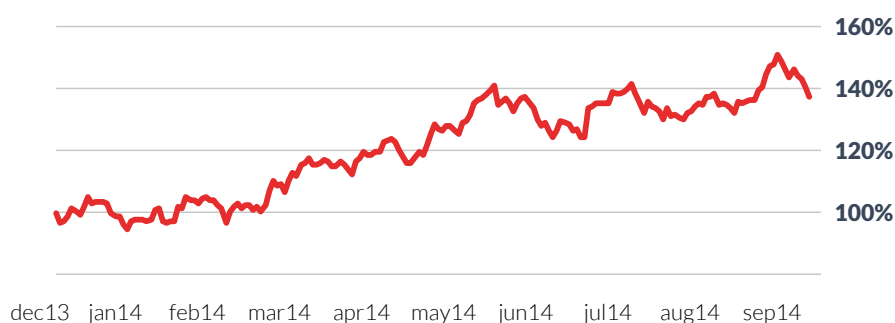
## TUBACEX ON THE STOCK MARKET

### EVOLUTION OF TUBACEX STOCK

JAN 14 - SEP 14

TUBACEX shares have increased by 36.7% during the first nine months of the 2014 financial year, closing with a value of €3.95 per share on 30th September, which represents a market capitalization of 525.3 million Euros.

In terms of volume, a total of 127.6 million TUBACEX shares have been traded between January and September 2014, up 68% on those traded in the same period of 2013, representing a rotation of 95.9% of the Company's capital.



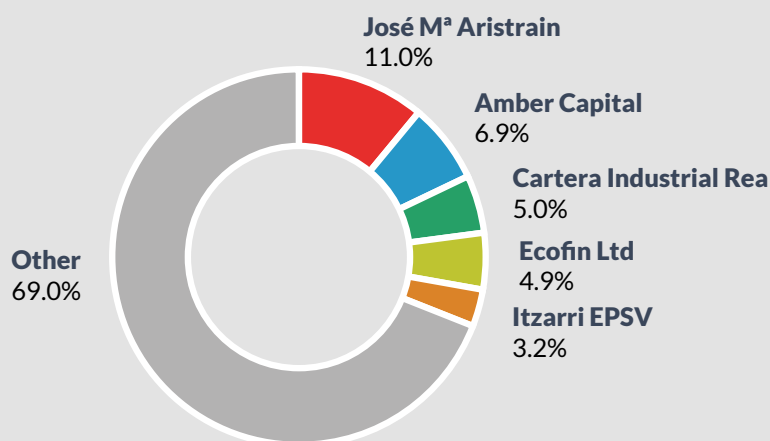
### TUBACEX SHAREHOLDING

November 7, 2014

The only changes to the structure of TUBACEX significant shareholders took place during the first quarter of the year.

As indicated at the time, the changes consisted in the loss of the status of significant shareholder by Larreder S.L. and the acquisition of such status by Corporación Aristrain and Amber Capital.

According to the Spanish Securities Exchange Commission, the TUBACEX shareholding is structured as follows:





## FINANCIAL FIGURES

### CONSOLIDATED BALANCE SHEET

(€ M)

	30/09/2014	31/12/2013	change %
Tangible assets	195.9	192.7	1.6%
Intangible assets	35.1	35.1	0.0%
Financial assets	50.0	55.2	-9.3%
<b>Non-current assets</b>	<b>281.0</b>	<b>282.9</b>	<b>-0.7%</b>
Inventories	210.4	186.4	12.9%
Receivables	71.2	100.6	-29.2%
Other account receivables	12.5	32.8	-61.9%
Other current assets	1.1	1.7	-37.6%
Derivative financial instruments	0.1	0.2	-37.7%
Cash and equivalents	76.8	32.5	136.5%
<b>Current assets</b>	<b>372.2</b>	<b>354.2</b>	<b>5.1%</b>
<b>TOTAL ASSETS</b>	<b>653.1</b>	<b>637.1</b>	<b>2.5%</b>
Equity, Group Share	279.0	259.9	7.4%
Minority interests	3.4	3.6	-3.8%
<b>Equity</b>	<b>282.5</b>	<b>263.4</b>	<b>7.2%</b>
Interest-bearing debt	108.9	93.5	16.5%
Derivative financial instruments	0.4	0.2	140.1%
Provisions and other	39.1	35.0	11.7%
<b>Non-current liabilities</b>	<b>148.5</b>	<b>128.7</b>	<b>15.4%</b>
Interest-bearing debt	117.5	133.6	-12.0%
Derivative financial instruments	0.3	1.0	-69.3%
Trade and other payables	71.5	69.4	3.0%
Other current liabilities	32.9	41.0	-19.8%
<b>Current liabilities</b>	<b>222.2</b>	<b>245.0</b>	<b>-9.3%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>653.1</b>	<b>637.1</b>	<b>2.5%</b>



## CONSOLIDATED P&L

(€ M)

	9M 2014	9M 2013	change %	Q3 2014	Q3 2013	change %
Sales	400.0	412.0	-2.9%	123.4	114.1	8.2%
Change in inventories	13.7	(32.7)	n.m.	1.2	(22.9)	n.m.
Other income	4.7	2.9	62.8%	1.3	1.1	15.2%
Cost of materials	(207.5)	(196.0)	5.9%	(63.5)	(46.1)	37.6%
Personnel expenses	(87.4)	(80.1)	9.1%	(26.1)	(20.0)	30.3%
Other operating costs	(74.4)	(67.5)	10.3%	(22.2)	(18.7)	18.7%
<b>EBITDA</b>	<b>49.0</b>	<b>38.6</b>	<b>26.9%</b>	<b>14.1</b>	<b>7.4</b>	<b>91.7%</b>
Depreciation	(15.1)	(14.5)	4.4%	(4.2)	(3.7)	13.0%
<b>EBIT</b>	<b>33.9</b>	<b>24.1</b>	<b>40.4%</b>	<b>9.9</b>	<b>3.6</b>	<b>172.8%</b>
Financial Result	(9.1)	(10.8)	-16.3%	(2.8)	(3.6)	-22.5%
Exchange differences	0.4	(0.5)	n.m.	0.2	0.0	n.m.
<b>Profit Before Taxes</b>	<b>25.2</b>	<b>12.8</b>	<b>97.0%</b>	<b>7.3</b>	<b>(0.0)</b>	<b>n.m.</b>

\* n.m.: not meaningful

## MAIN FINANCIAL RATIOS

	9M 2014	31/12/2013	% change
NFD / EBITDA	2.4x	3.8x	-37%
EBITDA Margin	12.3%	9.3%	32%
RoE	7.9%	5.8%	37%
ROCE	9.5%	6.9%	38%
Interest coverage	3.7x	2.3x	60%
Net working capital / sales	38.8%	39.3%	-1%