

Analyst Presentation

2017



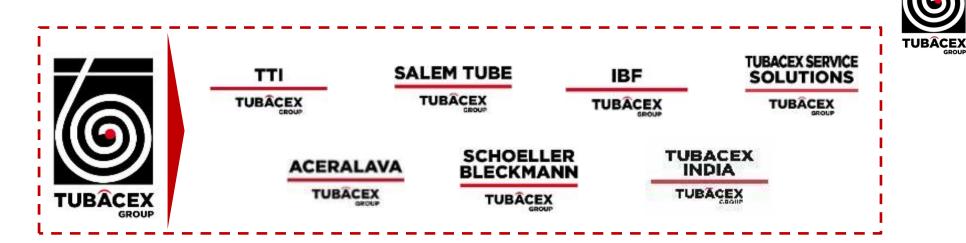












A fully integrated supplier



Steel billets & bars

Extrusion

Cold finishing

Pipes & tubes fittings

Master distribution



TUBACEX is the largest Seamless Stainless Steel Manufacturer.

TUBACEX Group

Geographical Presence





- 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

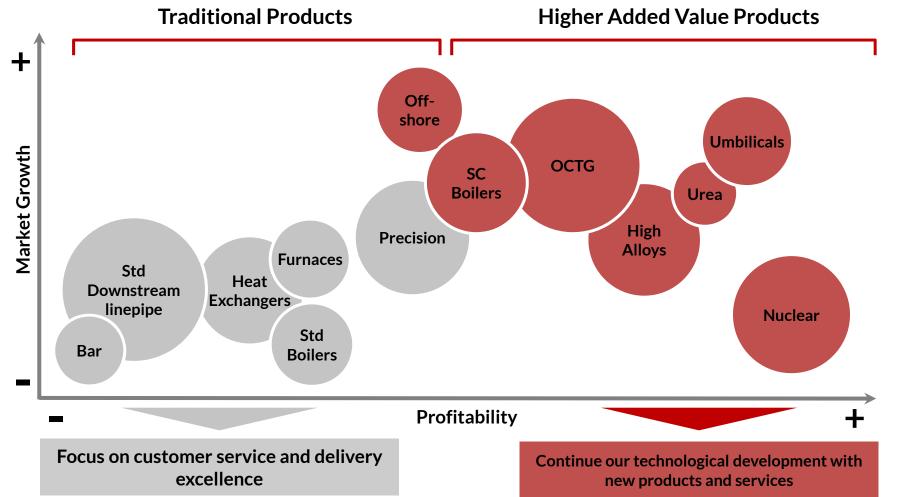




TUBACEX Group



Business Strategy



Changing successfully our former positioning

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

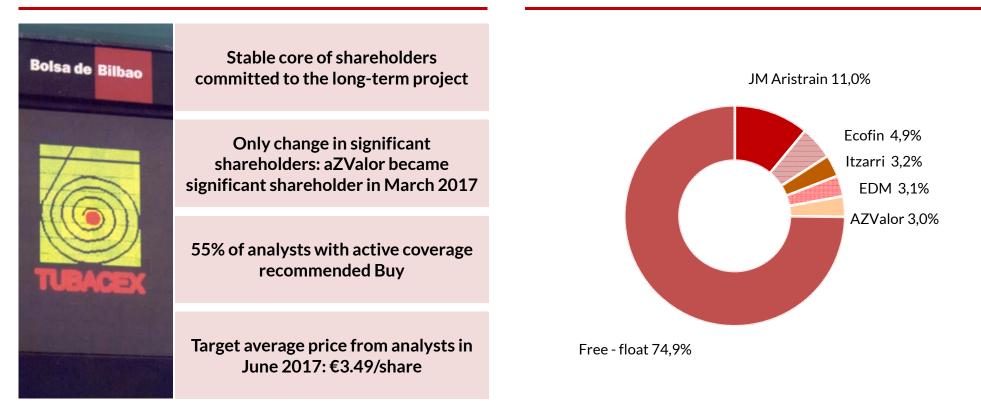
TUBACEX Group

Other key matters



Relationship with Investors

Shareholder Structure



Stable shareholder structure with positive market assessment

Source: Spanish Securities Exchange Commission (CNMV) on June 20, 2017

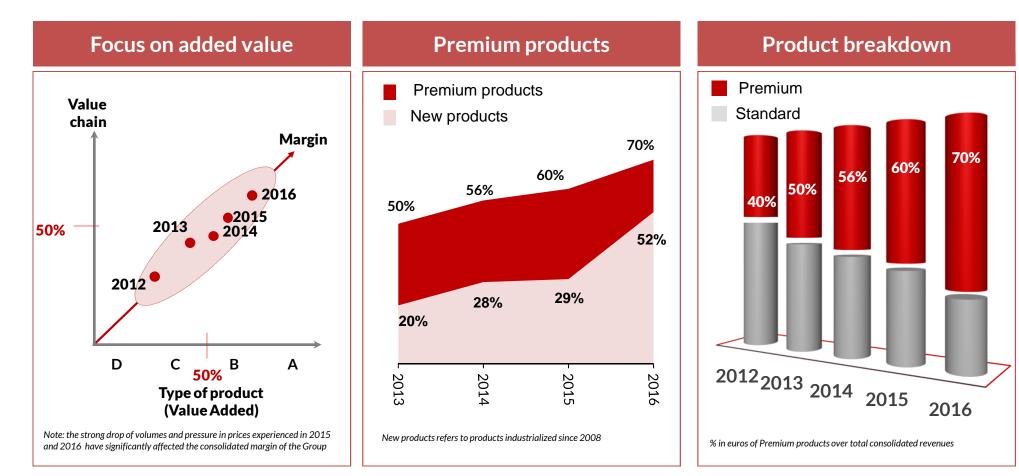






Business Strategy





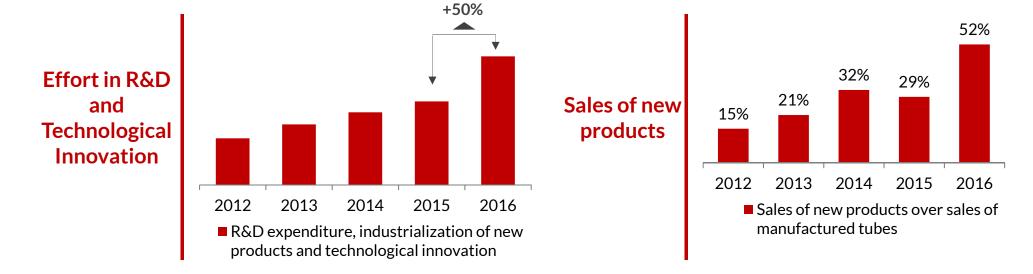
Moving forward in the value chain with Premium Products

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

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



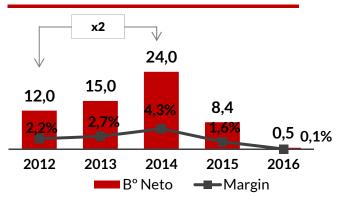


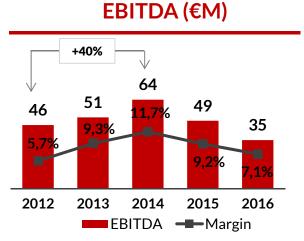


Main figures evolution

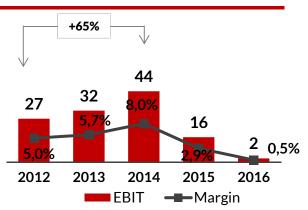
Revenues (€M)*

Net Profit (€M)

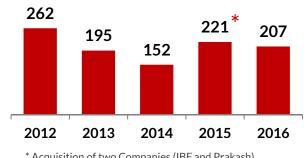




EBIT (€M)



NFD (€M)



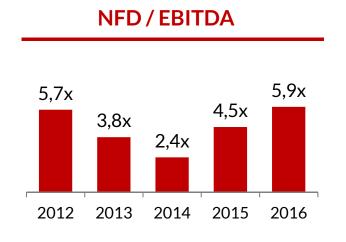
* Acquisition of two Companies (IBF and Prakash)

Significant improvement of results until Oil crash

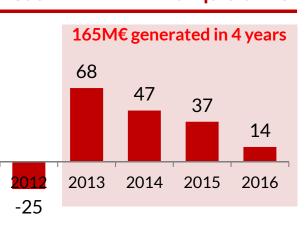


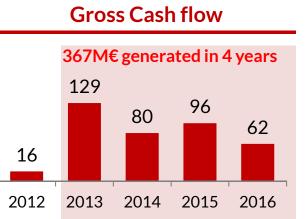
Financial strategy



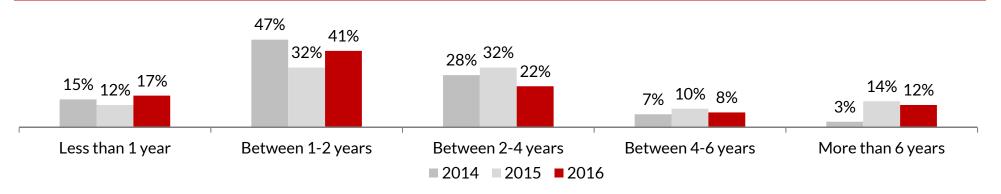


Cash flow before acquisitions





Debt maturities schedule

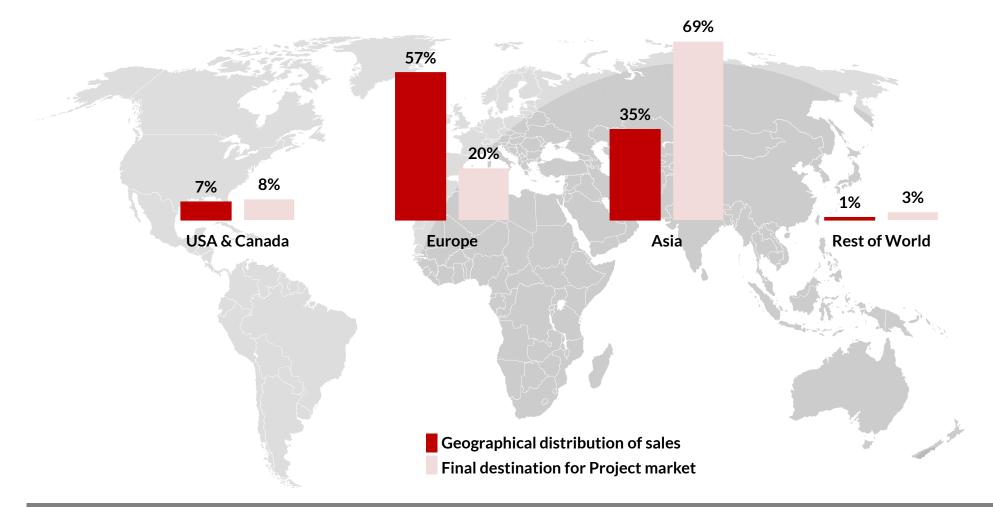


High cash flow generated allows financial soundness

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Renues Breakdown by Geography



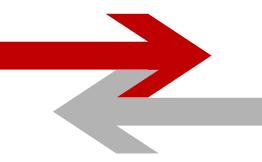


Asia remains the biggest market for the Group

Tubacex Action Plan

Market environment

- **Raw Materials:** continuing low prices
- Oil&Gas Sector: investment cuts and delays in the implementation of projects.
- Worldwide Growth: Low worldwide growth and worsening expectations.
- Prices: prices at historically low levels.
- Important change in the product mix demanded and the value chain



TUBÂCEX

TUBACEX

- **Diversification:** of sectors, products and markets.
- Cost Control: Adjustment plan in all expenditure items
- Competitiveness: Focus on Lean company, operational improvements, reduced lead-time, etc.
- Financial Strategy: reduction of costs, extending the maturity and diversification of the sources of funding
- Concentration on cash generation
- We are not stopping our strategic projects



Deterioration of the mix, volumes, prices and margins

Offsetting the crisis in today's market

Key issues in 2016

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 Tecnologies

- Lean manufacturing practices
- New production processes

New services

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

Main financials



Mill.€	2014	2015	2016	% Var. 16 vs. 15
Revenues	546.7	533.4	494.0	-7.4%
EBITDA	64.1	48.9	34.9	-28.6%
EBITDA margin	11.7%	9.2%	7.1%	
EBIT	43.7	15.6	2.5	-84.1%
EBIT margin	8.%	2.9%	0.5%	
Net Profit	23.8	8.4	0.5	n.s.
Net margin	4.4%	1.6%	0.1%	
Net working capital	202.4	210.1	183.2	-26.9
Net working capital / sales	37.0%	39.4%	37.1%	
Net Financial Debt	151.5	220.5	206.9	-13.6
Net Financial Debt / EBITDA	2.4x	4.5x	5.9x	



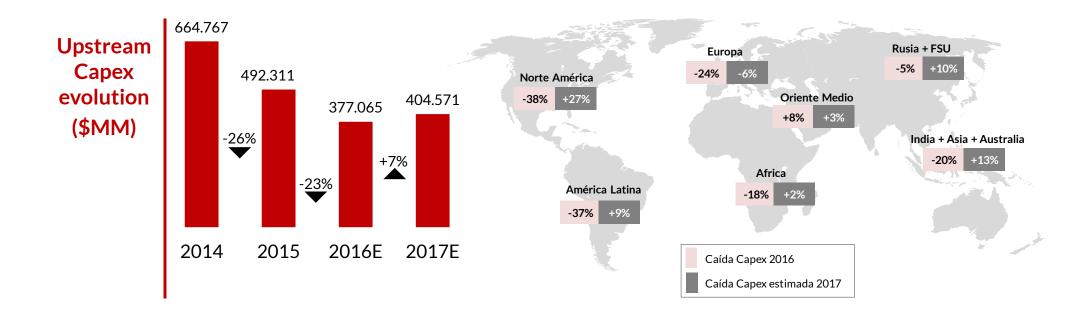


2017 OUTLOOK & HALF YEAR THE OWNER WATCHING TO AN A PARTY OF 1.11 **RESULTS**

Oil Sector



• Two consecutive years of reduced investment for the first time in 30 years, can have a dramatic impact on the decline rate of mature assets, thus the global upstream investment is expected to increase in 2017



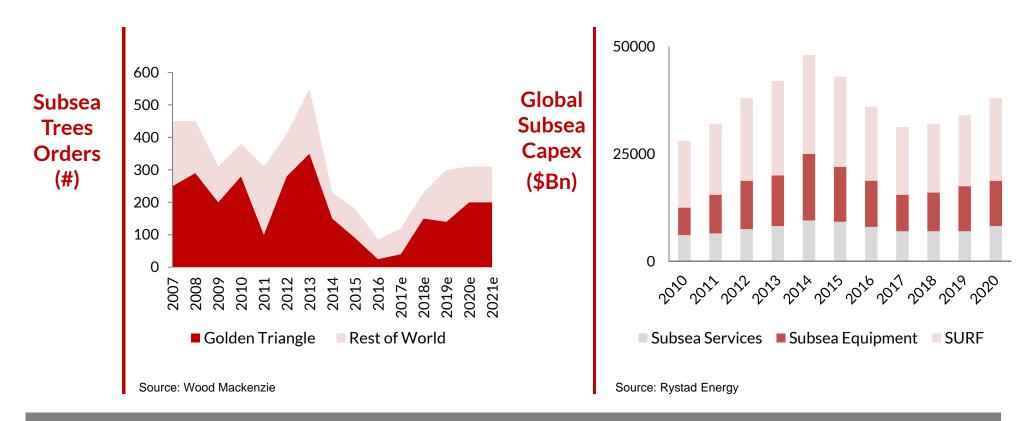
Two consecutive years of reduced investments

Sourcte: Barclays Global 2017 E&P Spending Outlook (January 2017)

Oil Sector



- The subsea market has undergone the most significant downturn in recent history
- After the bottom in 2016, a gradual recovery is expected to start from 2017 onwards



A gradual recovery is expected to start from 2017 onwards

What we learned from 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

Opportunities

1



3 NEW BUSINESSES /Setting basis for future growth

- Connection
- Tubacoat
- Bigger outside diameters
- Entering in new patents

FOCUS ON COST REDUCTION

• Reduce personnel cost

2

- Boost projects launched on cost reduction
- Boost projects on productive improvements

CASH MANAGEMENT

- Reduction in working capital, specific plans
- Keep on reducing financial cost
- Generating positive cash flow through operations

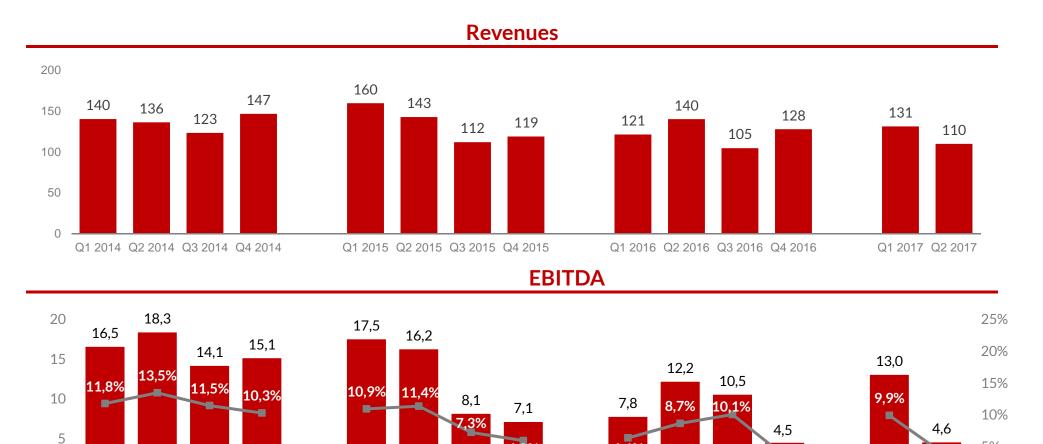
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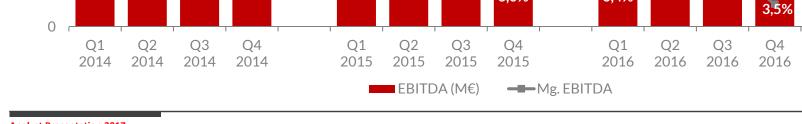


Revenues and EBITDA evolution



6.0%

6.4%



Q2

2017

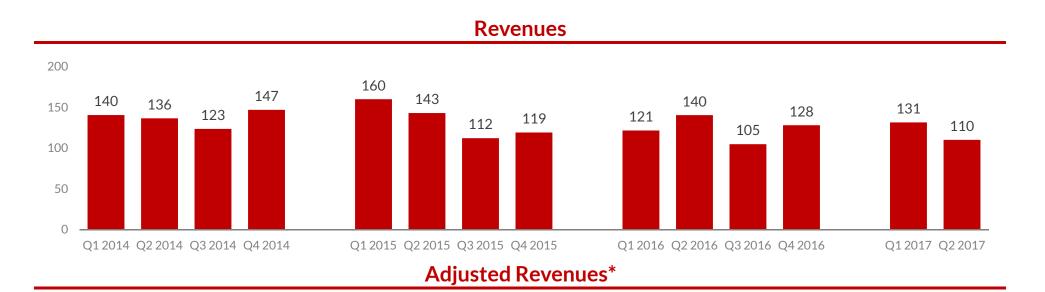
Q1

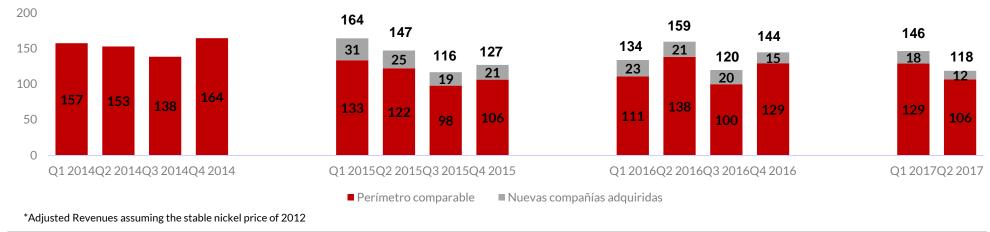
2017

5%

0%

Revenues and Adjusted Revenues Comparison





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Main financials

Mill.€	H1 2016	H1 2017	% Var.
Revenues	261.5	241.4	-7.7%
EBITDA	19.9	17.6	-11.7%
EBITDA margin	7.6%	7.3%	
EBIT	3.1	0.8	-73.7%
EBIT margin	1.2%	0.3%	
Net Profit	1.7	1.9	9.0%
Net margin	0.7%	0.8%	
	FY 2016	H1 2017	Var.
Net working capital	183.2	211.7	+28.5
Net working capital / sales	37.1%	44.7%	
Net Financial Debt	206.9	243.9	+37.0
Net Financial Debt / EBITDA	5.9x	7.5x	

Q2 2016	Q2 2017	% Var.
140.2	110.1	-21.5%
12.2	4.6	-62.5%
8.7%	4.1%	
3.7	-3.8	n.m.
2.7%.	neg.	
2.2	-0.9	n.m.
1.6%	neg.	

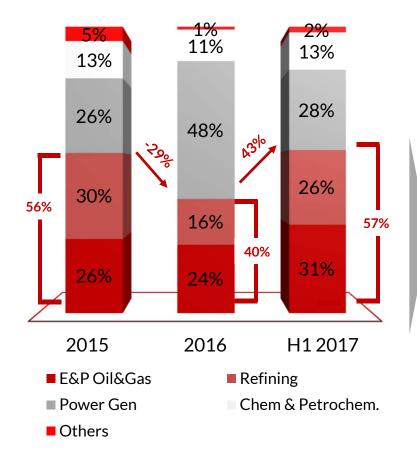
neg.: negative n.m.: not meaningful



2017 Outlook & Quarterly Results

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
- Better relative performance of the gas sector

Power Generation:

- After two years of record sales of tubes for boilers at power stations with supercritical technology, some decrease due to new regulations
- Integral tubular solutions thanks to the incorporation of IBF and the development of new grades and technologies

Downstream:

- Downward trend during the last quarters, but some big projects in Far East to be awarded
- Sales to the LNG sector can be highlighted

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





STRATEGIC PLAN 2016 - 2020

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

Strategic Plan 2016 - 2020

Strategic Plan 2016 – 2020: 4 Objectives



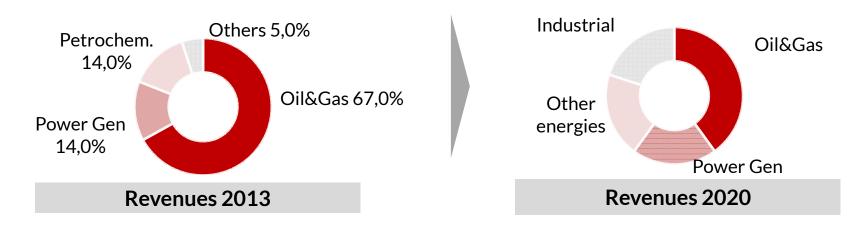
1

Reinforce TUBACEX's positioning as **global tubular solutions provider**



2

Reduce volatility by diversifying risks



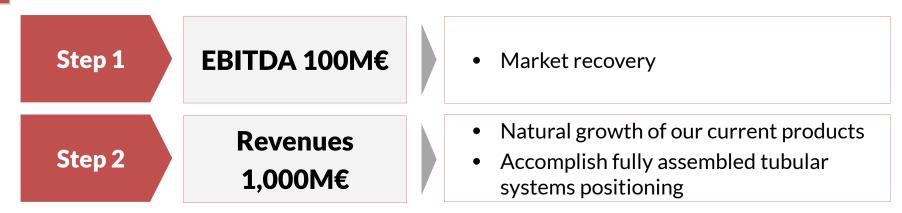
Strategic Plan 2016 - 2020

Strategic Plan 2016 – 2020: 4 Objectives





Achieve **Revenues > 1,000M€** in a recovered market situation





Achieve an **excellence level above 500 in EFQM model** (silver Q for management model is 400), with all the results above 50% both in internal and external audit

- People
- Customers
- Suppliers
- Shareholders
- Society

Strategic Plan

Strategic Plan 2016 – 2020: Financial Objectives

EBITDA Margin

Net Working Capital / Sales

NFD/EBITDA

Revenues

INTERNAL	PROJECTS	

- Commercial positioning
- TSS- full development of global logistics
- Fully assembled tubular systems

(\$) £€

- Industrial plans
- Innovation plans
- Costs optimization
-

EXTERNAL PROJECTS

1,000 M €

15%

2-3x

35%

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







WWW.TUBACEX.COM