

# PRESENTATION OF THE RESULTS

1<sup>st</sup> half of 2014



D. Jesús Esmorís  
**TUBACEX CEO**

“The results for the first half of 2014 that TUBACEX presents herein, maintain the upward trend that has been observed since last year. This improvement is based on two essential pillars:

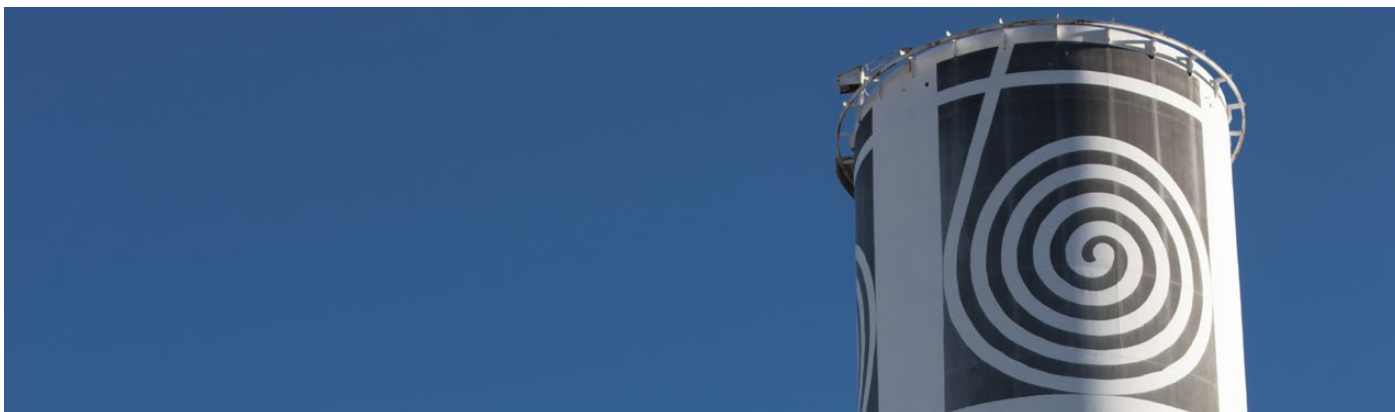
(i) the Business Strategy, with a clear focus on evolution towards Premium Products and (ii) the Operational Strategy, based on continuous improvement and which has led to significant achievements in terms of productivity and cost.

In spite of the fact that the distribution market remains at a low level and the European market does not show any signs of recovery, the results achieved in the second quarter of the year are extremely positive. The EBITDA margin is above 13% and the Net Financial Debt over EBITDA continues to fall and move towards the target of 3 times

by the end of the year.

In recent weeks, the annual review of the Strategic Plan has been completed. In view of the positive results obtained, it has been decided to incorporate the growth axis into the TUBACEX strategy, the inclusion of which was not planned until 2015, hence anticipating the fulfillment of the objectives for 2017 by one year.

With a view to the end of the year, in spite of continued uncertainty in the market, we hope that the second half of the year continues along the same lines as the results we present today”.



## MARKET ENVIRONMENT

During the first quarter of 2014, the world's two leading economies dipped, although recovery has begun in the second quarter.

On one hand, the growth indicators in the USA show signs of improvement following a grim first quarter, while the slowdown in China appears to have been detained and signs of recovery are beginning to appear. As far as the Euro Zone is concerned, the recovery observed in the first quarter has been

hampered by the loss of momentum in German economy in the second quarter.

As far as **raw materials** are concerned, the first half of the year has been characterized by a break in the price lowering trend that has dominated the market over the past two years. **Nickel** began the year at 14,000 USD/ton in January and closed June at 18,800 USD/ton, which represents an increase of 34.3% 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 experienced an increase in prices during the first half of the year.

**Oil** price level that strengthens the important expansion plans in the Oil&Gas and Energy sectors (some of the Group's leading product demand sectors).

### EVOLUTION OF THE NICKEL PRICE

DEC 11 - JUN 14 (US\$/ton)

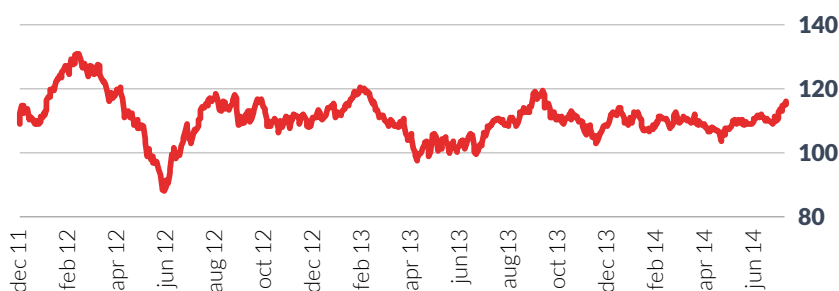
In terms of average prices, it stands at 16,572 USD/ton, nearly 2% higher than the average price in the same period of 2013.



### EVOLUTION OF THE BRENT PRICE

DEC 11 - JUN 14 (US\$/barrel)

Its price has increased by 1.4% in the first half of the year, always remaining above 100 USD/barrel.





## MAIN FINANCIAL FIGURES

Throughout the first half of 2014, TUBACEX has continued its upward trend that commenced in 2013 and the fulfillment of its strategic objectives.

At the end of June 2014, the **sales figure** stood at 276.6 million Euros whereby the alloy surcharge invoiced has remained considerably lower throughout the first half of the year compared to the same period in 2013. If nickel price had remained steady, sales figures for the first half of 2014 would have increased with respect to those registered in the first half of 2013.

TUBACEX continues focusing primarily on improving its product portfolio and operational excellence. Achievements in these two areas have considerably improved the **EBITDA Margin**, placing it at 12.6%, far higher than the strategic ob-

jective 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 the first half of the year has reached 34.9 million Euros, which represents growth of 11.6% with respect to the same period in 2013. It is worth mentioning that, in terms of EBITDA, the figures presented for the first half of 2014 are the best first half results for TUBACEX since 2008.

As far as the **working capital** is concerned, it has increased during the first half of the year to 236.0 million Euros as a result of the upward trend in raw material prices and the increase of the value of the stock of finished products. It is worth remembering that TUBACEX is a group that works mainly on orders, therefore the working capital is genera-

lly sold, although it may be in the manufacturing process or pending invoicing and/or payment.

The **net financial debt** has been reduced by 16.1 million Euros over the first six months of the year, falling from 194.6 million Euros at the close of 2013 to 178.5 million Euros in June 2014. The Net Financial Debt over EBITDA for TUBACEX stands at 3.25 times, hence moving towards the Group's objective of financial debt of less than 3 times by the end of the year.

As already mentioned, the positive evolution of results and the debt observed up to June 2014 have enabled TUBACEX to anticipate the second phase of its Strategic Plan, which will focus on Growth.

### FINANCIAL FIGURES

(€ M)

	H1 2014	H1 2013	change %	Q2 2014	Q2 2013	change %
Sales	276.6	297.9	-7.2%	136.3	152.4	-10.6%
EBITDA	34.9	31.3	11.6%	18.3	16.9	8.6%
EBITDA margin	12.6%	10.5%		13.5%	11.1%	
EBIT	24.0	20.5	16.9%	13.1	11.5	14.2%
EBIT margin	8.7%	6.9%		9.6%	7.5%	
Profit before taxex	17.9	12.8	39.8%	10.3	7.6	36.1%
Margin	6.5%	4.3%		7.5%	5.0%	

	30/06/2014	31/12/2013
Working Capital	236.0	217.6
Equity Group Share	270.9	259.9
Equity / Total Assets	41.8%	40.8%
Net Financial Debt	178.5	194.6
NFD/ EBITDA	3.25x	3.80x



## QUARTERLY EVOLUCIÓN

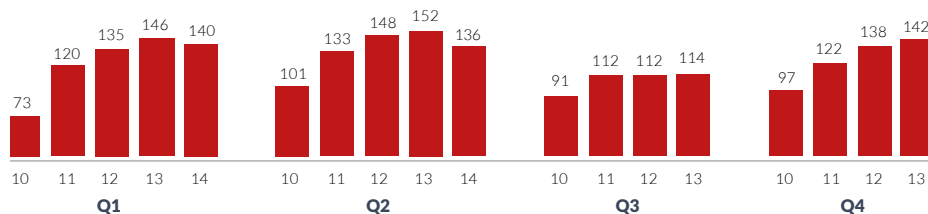
The results for the second quarter of the year continue the upward trend that began in the previous year.

The sales figure reached 136.3 million Euros with a considerably lower alloy surcharge than for the second quarter of 2013.

The EBITDA for the second quarter of the year stands at 18.3 million Euros, hence becoming the highest quarterly EBITDA in the past five years, with an EBITDA margin of 13.5%.

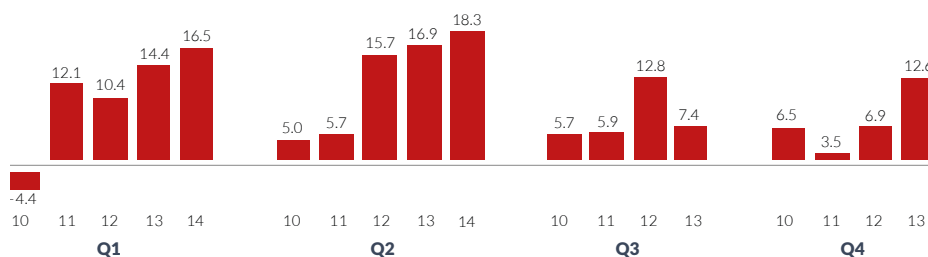
## QUARTERLY EVOLUTION OF THE SALES FIGURE

(€ M)



## QUARTERLY EVOLUTION OF THE EBITDA

(€ M)



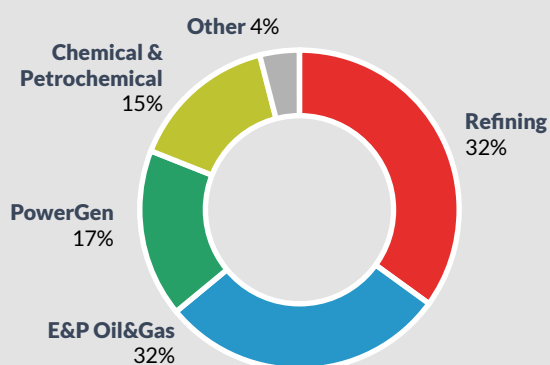


## BUSINESS EVOLUTION

The business environment in which TUBACEX has carried out its activity in the first half of the year has been characterized by recovery, but with considerable differences between the Projects and Distribution markets.

Whilst the **Projects Market** has maintained its dynamism and progress observed in the first quarter with important orders from the Oil&Gas sector, the increase in the

price of raw materials in the **Distribution Market** has not led to an increase in order intake, which remains low. Currently TUBACEX has its backlog sold until November 2014.

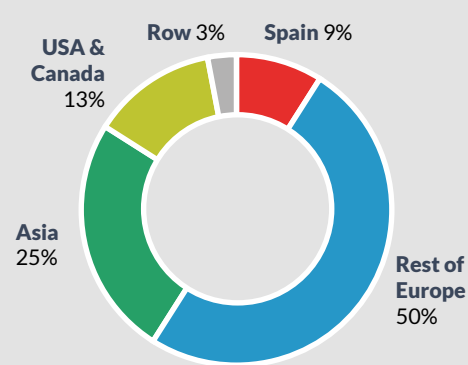


### BREAKDOWN OF SALES

PROJECTS FOR THE FIRST HALF 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. Sales of umbilical offshore tubes and for the Sub-sea sector have increased over the first half of the year and the OCTG has maintained a good demand in Asia. As for the **Power-gen sector**, the strong rate of production of supercritical boilers for China observed in recent months has continued during the second quarter.

The **Refining** sector has shown flatter performance in recent months with significant orders from the USA and Europe. Finally, it must be highlighted that during this quarter, TUBACEX has manufactured successfully its first order for tubes in the **Urea** market, a new niche in which the Company plans to gradually increase its presence.



### GEOGRAPHIC DISTRIBUTION OF SALES

FIRST HALF 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

### SHAREHOLDERS' GENERAL MEETING

28 May 2014

TUBACEX held its Shareholders' Annual General Meeting on 28th May, in which the annual accounts, Management Report and Corporate Governance Report corresponding to the 2013 financial year were approved.

The Meeting approved a supplementary dividend for a gross value of €0.0231 per share, payable in July, and ratified the interim dividend that was paid in November 2013, for a gross value of €0.0231 per share. The total dividend reaches a gross value of €0.0463 per share, with a total payment of 6 million Euros, which represents a 40% pay-out of the net profit for 2013.

Likewise, the Meeting also ratified the appointments of Dámaso Quintana Pradera and José Toribio González as board members, both in representation of the shareholder Corporación Aristrain, who will therefore have a position as proprietary directors.

The Meeting also authorized the Board to issue security debts (obligations, bonds, promissory notes or other securities) with a cap of 250 million Euros during a total term of five years, to acquire funds, if necessary, in capital markets in order to optimize the Group's financial management.





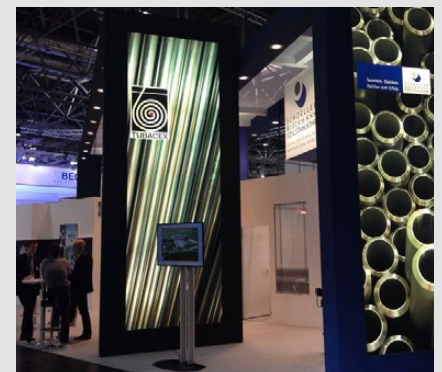
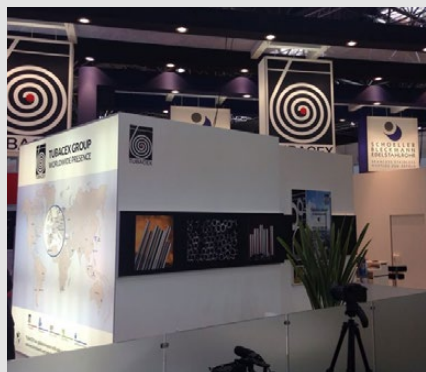
## TUBE 2014 DÜSSELDORF

7-24 April 2014

TUBACEX participated in *Tube 2014* from 7th to 24th April, the most important fair for the manufacturing and sale of stainless steel seamless tubes, which is held every two years in the German city of Düsseldorf.

The company had a large stand and a strong commercial and technical presence to attend clients' demands, analyze market trends and identify new development areas for the future.

This edition of Tube boasted 1,200 exhibitors from 47 countries and was attended by over 35,000 visiting professionals.



## EMISSION OF PROMISSORY NOTES

2 June 2014

On 2nd June via the Alternative Fixed Income Market (MARF), TUBACEX launched two emissions of promissory notes of six and twelve months respectively, for a total of 15 million Euros.

With this initiative, TUBACEX seeks to diversify its short-term financing sources beyond traditional banking, by means of emissions that will allow the company to finance itself in terms of twelve months, or less.

## FIRST ORDER FOR UREA

1<sup>st</sup> Half of 2014

During the second quarter of 2014, TUBACEX received its first order for the manufacture of high pressure equipment at Urea plants. This type of tube has the greatest technical and metallurgical requirements within the fertilizer processing sector and represents one of the new high value-added niches in which the Group aims to increase its presence.





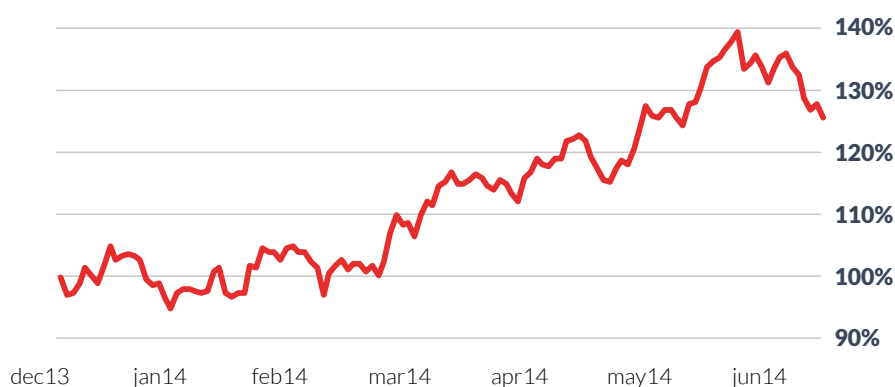
## TUBACEX ON THE STOCK MARKET

### EVOLUTION OF TUBACEX SHARE

JAN 14 - JUN 14

TUBACEX shares have increased by 26.1% over the first half of 2014, closing with a value of €3.645 per share on 30th June, which represents a market capitalization of 484.7 million Euros.

In terms of volume, a total of 99.23 million TUBACEX shares have been traded between January and June 2014, up 80% on those traded in the same period of 2013, representing a rotation of 74.6% of the Company's capital.



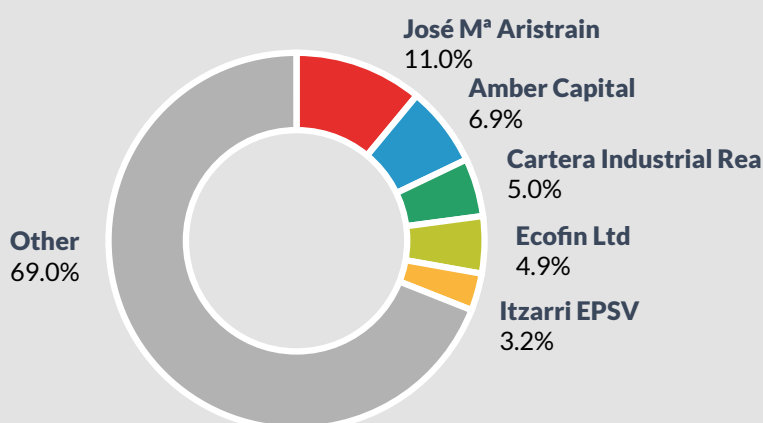
### TUBACEX SHAREHOLDING

30.06.2014

The first half of 2014 saw various changes in the structure of TUBACEX significant shareholders, although they all took place in the first quarter and were clearly detailed in the results corresponding to that period.

On one hand, Larreder S.L. sold its entire stake in TUBACEX and on the other hand, Corporación Aristrain (11.0%) and Amber Capital (6.9%) became significant shareholders.

Therefore, as stated in the Spanish Securities Exchange Commission (CNMV), the shareholder structure of the company at 30 June 2014 is the following:







## FINANCIAL FIGURES

### CONSOLIDATED BALANCE SHEET

(€ M)

	30/06/2014	31/12/2013	change %
Tangible assets	191.4	192.7	-0.7%
Intangible assets	34.9	35.1	-0.4%
Financial assets	51.3	55.2	-7.0%
<b>Non-current assets</b>	<b>277.6</b>	<b>282.9</b>	<b>-1.9%</b>
Inventories	204.5	186.4	9.8%
Receivables	107.9	100.6	7.2%
Other account receivables	21.9	32.8	-33.1%
Other current assets	1.2	1.7	-31.6%
Derivative financial instruments	0.2	0.2	-18.6%
Cash and equivalents	34.7	32.5	6.7%
<b>Current assets</b>	<b>370.4</b>	<b>354.2</b>	<b>4.6%</b>
<b>TOTAL ASSETS</b>	<b>648.0</b>	<b>637.1</b>	<b>1.7%</b>
Equity, Group Share	270.9	259.9	4.2%
Minority interests	3.6	3.6	0.7%
<b>Equity</b>	<b>274.5</b>	<b>263.4</b>	<b>4.2%</b>
Interest-bearing debt	89.5	93.5	-4.3%
Derivative financial instruments	0.2	0.2	34.6%
Provisions and other	39.3	35.0	12.2%
<b>Non-current liabilities</b>	<b>129.1</b>	<b>128.7</b>	<b>0.3%</b>
Interest-bearing debt	123.6	133.6	-7.5%
Derivative financial instruments	1.1	1.0	4.0%
Trade and other payables	76.5	69.4	10.2%
Other current liabilities	43.2	41.0	5.5%
<b>Current liabilities</b>	<b>244.4</b>	<b>245.0</b>	<b>-0.2%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>648.0</b>	<b>637.1</b>	<b>1.7%</b>

## CONSOLIDATED P&L

(€ M)

	H1 2014	H1 2013	change %	Q2 2014	Q2 2013	change %
Sales	276.6	297.9	-7.2%	136.3	152.4	-10.6%
Change in inventories	12.4	(9.7)	n.m.	13.3	(6.1)	n.m.
Other income	3.4	1.8	n.m.	2.4	0.6	n.m.
Cost of materials	(144.0)	(149.9)	-3.9%	(76.2)	(77.1)	-1.2%
Personnel expenses	(61.3)	(60.0)	2.1%	(31.2)	(30.0)	4.0%
Other operating costs	(52.2)	(48.8)	7.0%	(26.2)	(22.8)	14.8%
<b>EBITDA</b>	<b>34.9</b>	<b>31.3</b>	<b>11.6%</b>	<b>18.3</b>	<b>16.9</b>	<b>8.6%</b>
Depreciation	(10.9)	(10.8)	1.4%	(5.2)	(5.4)	-3.3%
<b>EBIT</b>	<b>24.0</b>	<b>20.5</b>	<b>16.9%</b>	<b>13.1</b>	<b>11.5</b>	<b>14.2%</b>
Financial Result	(6.2)	(7.2)	-13.2%	(2.8)	(3.7)	-24.4%
Exchange differences	0.2	(0.5)	n.m.	(0.1)	(0.3)	n.m.
<b>Profit Before Taxes</b>	<b>17.9</b>	<b>12.8</b>	<b>39.8%</b>	<b>10.3</b>	<b>7.6</b>	<b>36.1%</b>
Income taxes	(4.2)	(1.9)	n.m.	(2.2)	(0.4)	n.m.
<b>Consolidated Net Income</b>	<b>13.8</b>	<b>10.9</b>	<b>26.2%</b>	<b>8.1</b>	<b>7.2</b>	<b>12.1%</b>
Minority interests	(0.0)	(0.2)	n.m.	(0.0)	(0.0)	n.m.
<b>Net Income, Group Share</b>	<b>13.7</b>	<b>10.7</b>	<b>28.3%</b>	<b>8.1</b>	<b>7.2</b>	<b>12.7%</b>

\* n.m.: not meaningful

## MAIN FINANCIAL RATIOS

	H1 2014	31/12/2013	% change
NFD / EBITDA	3.25x	3.80x	-14%
EBITDA Margin	12.6%	9.3%	36%
RoE	6.6%	5.8%	14%
ROCE	7.7%	6.9%	11%
Interest coverage	3.8x	2.3x	64%
Net working capital / sales	44.3%	39.3%	13%