

TUBACEX

Strategic Plan 2013 - 2017



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1983 - 2013

BACKGROUND & EQUITY STORY

INTRODUCTION & MANAGEMENT MODEL

BUSINESS STRATEGY

INNOVATION PLAN

OPERATIONS PLAN

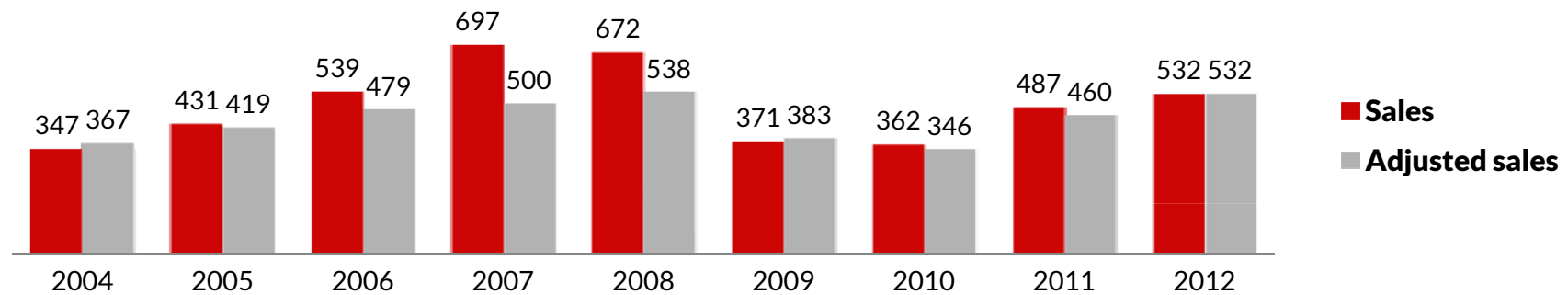
ORGANIZATION



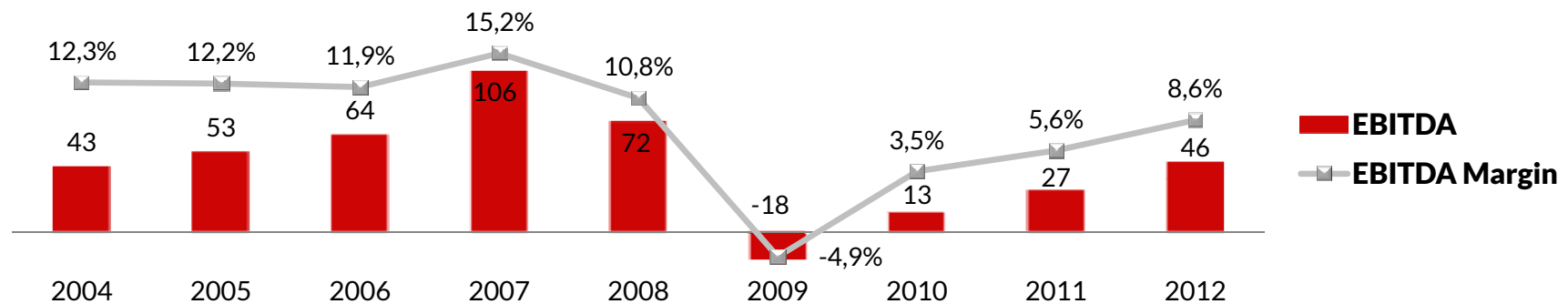
BACKGROUND

BACKGROUND AND EQUITY STORY

Sales evolution (€M)



EBITDA & EBITDA margin (€M)



BACKGROUND AND EQUITY STORY

Investment of

€152.2 million

between
2008 and 2012

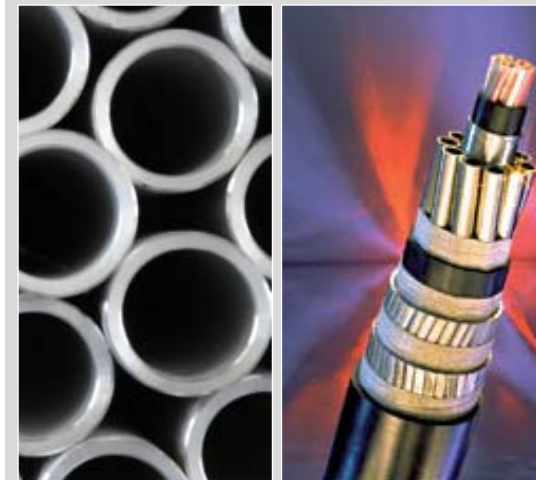
Focus on sectors
with higher expected
growth rates:

Oil&Gas



Development of new
products, with higher
margins:

OCTG, Umbilicals,...



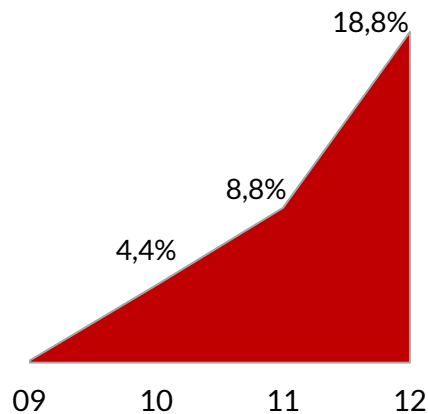
New products account by c.20% of current order intake

OUTLINE

BACKGROUND AND EQUITY STORY

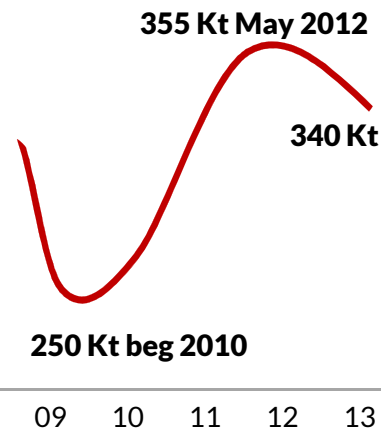
Recent performance

Tx Reaction



■ New product sales / total

Improvement in demand
SSST



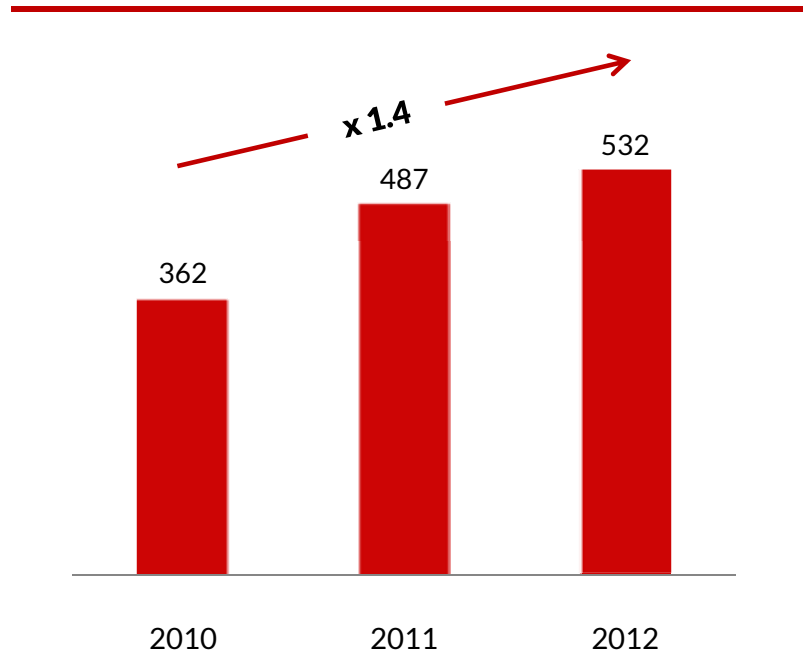
Gradual
recovery

The reaction of Tubacex combined with the recovery of the market has allowed us to improve gradually our performance

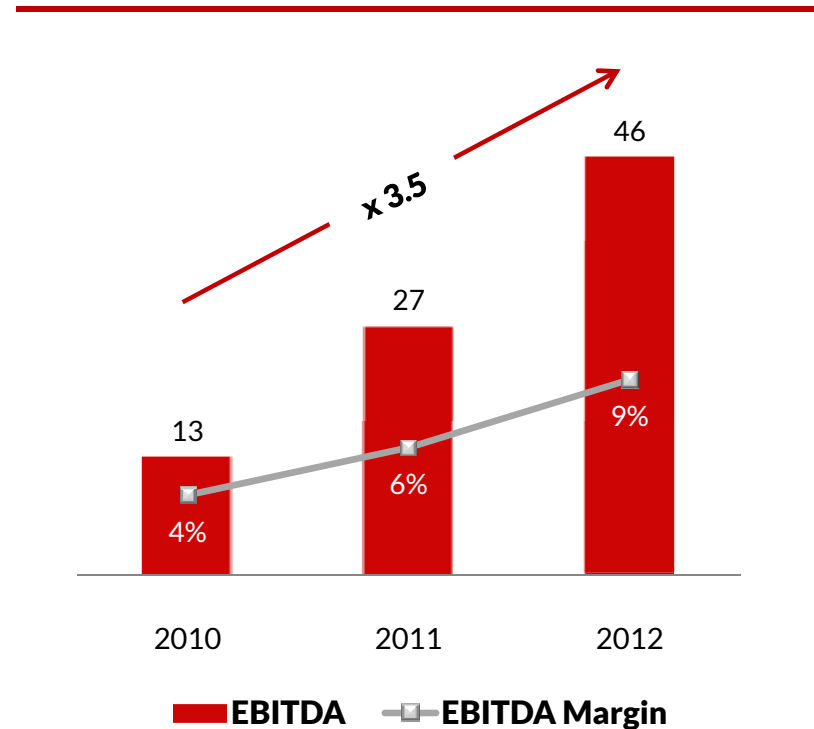
BACKGROUND AND EQUITY STORY

Recent performance

Sales (€M)



EBITDA (€M)



In the last three years we have increased significantly our results

OUTLINE

BUT THIS IS NOT ENOUGH...



In order to gain more market share in high added value products we need to become a **benchmark supplier** for our clients



We need to be **more cycle resilient**



Value creation for our shareholders always comes first



INTRODUCTION & MANAGEMENT MODEL

STRATEGIC PLAN. Change Management

To focus our
Strategic Plan
on the “Big Change”



1. Business management
2. Operational excellence



”

Changes always come with some uncertainty but they also definitely mean an opportunity to improve

MANAGEMENT PLAN AND FOCUS

Create a new paradigm

Take advantage of the moment of change to create a new cycle of excellence which offers us profitable growth throughout the 2013-2017 period, positioning Tubacex as a benchmark in the manufacture and distribution of tubular solutions.

Change Management

- Product
- Management: CEO
- Organization
- Strategic
- Corporate Culture

Effect

Organization / Management Model

- Illusion and passion for the project
- Alignment of the functions
- Organization aimed at Objectives and Results
- Rigor and Methodology
- Process Management

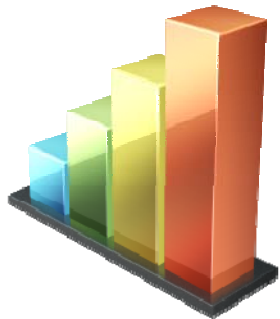
Consequences

Commitment

- Our strategic Goals

The key to success lies in people

STRATEGIC OBJECTIVES. 5-year strategic goals



Double the company's value in 5 years

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



Reduce market volatility

- Break even vs. sales
- Product Diversification
- Geographic Diversification
- Alliances and Growth



Be a benchmark supplier for clients

- Market Share
- Quality/ Service
- CRM
- Development of new products



Be the company for which people want to work

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

VISION, MISSION & VALUES

Vision

We aspire to be a global supplier and a benchmark in innovative tubular solutions in advanced materials, offering service and management excellence, fulfilling and exceeding customer expectations, whilst profitably sustainable and focused on people development.

Mission

- We are an innovative, multi-national industrial group in the global market of seamless stainless steel tubes.
- We seek customer satisfaction through a portfolio of products and services that are constantly being developed.
- We are a reliable company that fulfills its obligations with internal and external clients.
- We grow in a profitable and sustainable way.
- We undertake to effectively manage the return on all of our investments and to reward shareholders.
- We seek excellence, through rigorous process management and the systematic application of ongoing improvement.
- We undertake to constantly foster a safe and pleasant workplace, whilst respecting the environment.
- We seek to contribute to the development of society and our suppliers, developing as professionals and people, working as a team and constantly measuring our results.

Values

- Leadership
- Focus on Achievement
- Customer Satisfaction
- Continuous Improvement
- Creativity and Innovation
- Teamwork
- Creation of Value and Profitability
- Diversity and Dignity in the Workplace
- Corporate Ethics

ANNUAL MANAGEMENT PLAN

2013: 10 Objectives for the year

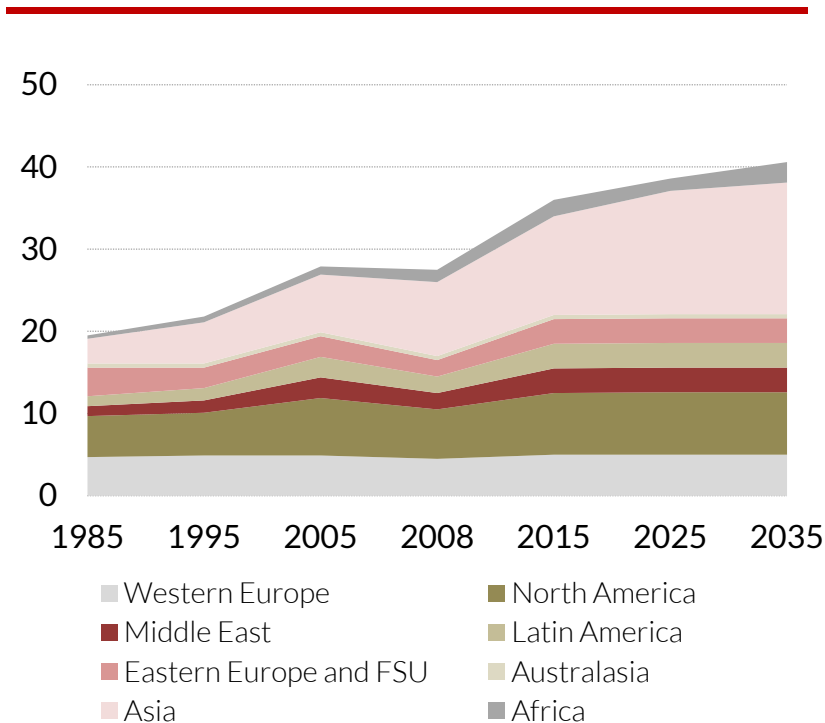
10 key strategic objectives to be deployed in the corresponding management plans by area and to be incorporated in the objectives of the management team and "Key People":

1. Occupational Health and Safety
2. Significant increase in the EBITDA for the Group
3. Important reduction in working capital
4. Successful completion of key industrial projects = OCTG + PRESS + UMBILICALS
5. Increase productivity in all plants by 10%
6. Improve the product mix and increase sales margins
7. Review and modification of the standard cost system per product
8. Improve service and increase customer satisfaction
9. Negotiation of a competitive collective agreement
10. Strategic Plan 2013 - 2017

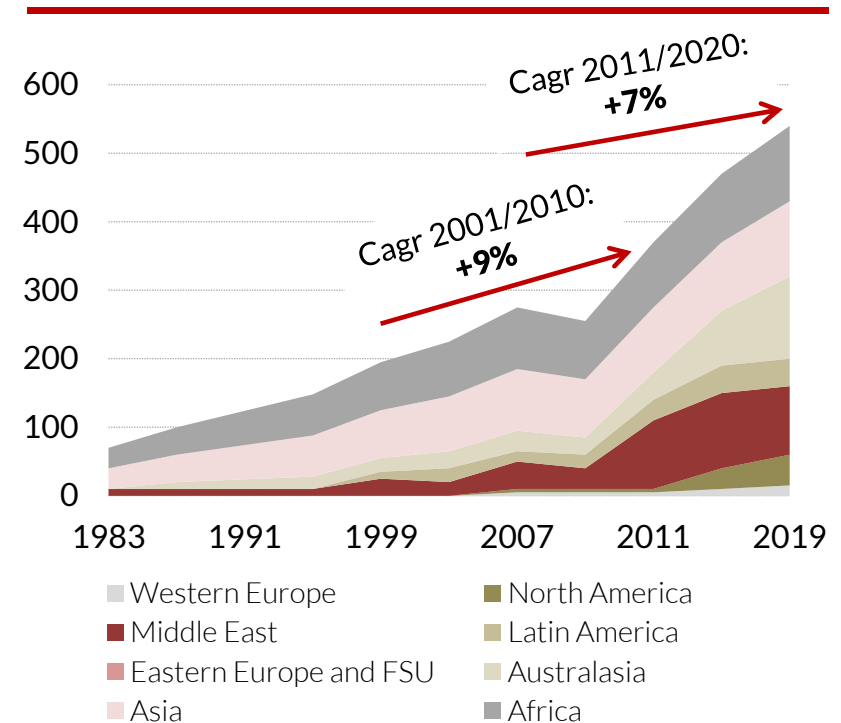
BUSINESS STRATEGY

MARKET EVOLUTION. Oil & Gas Demand

Oil Demand



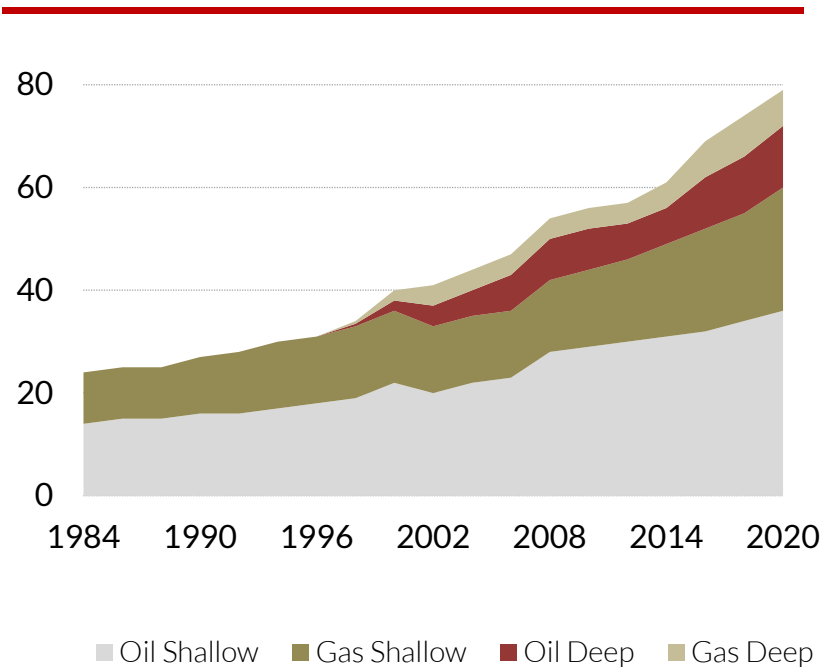
LNG Demand



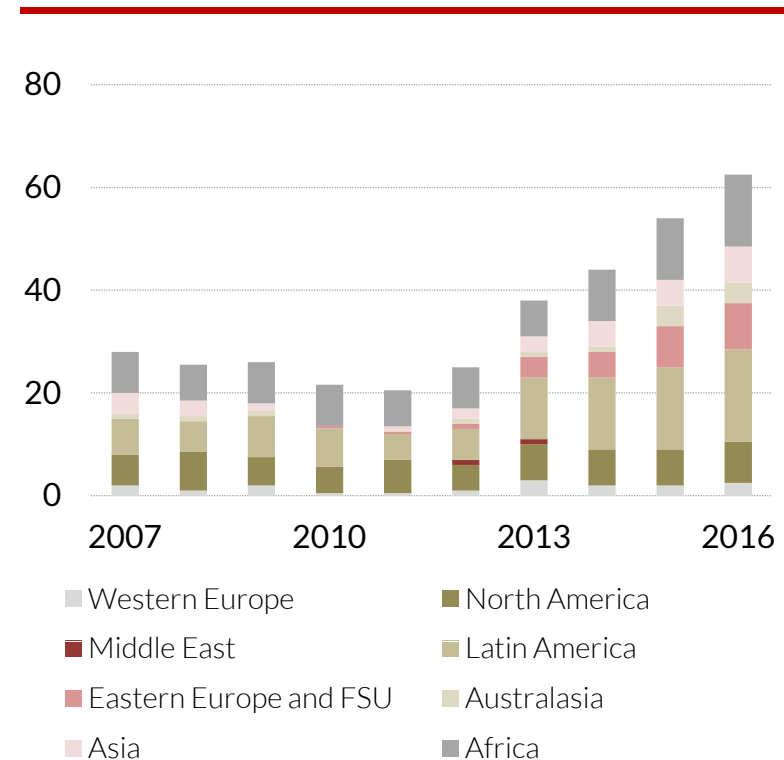
Increasing Oil and LNG demand in next years

MARKET EVOLUTION. Offshore market

Offshore Production (mboed)



Deepwater Capex



Increasing offshore production and the capex needed

PRODUCT STRATEGY. Focus on high added value products

High Added Value Products

- Umbilicals
- Subsea
- OCTG
- Urea
- High Alloys
- Nuclear
- Precision tubing
- SC Boilers



Significant increase of the weight of E&P Oil&Gas sector

GEOGRAPHIC STRATEGY. Tubacex presence

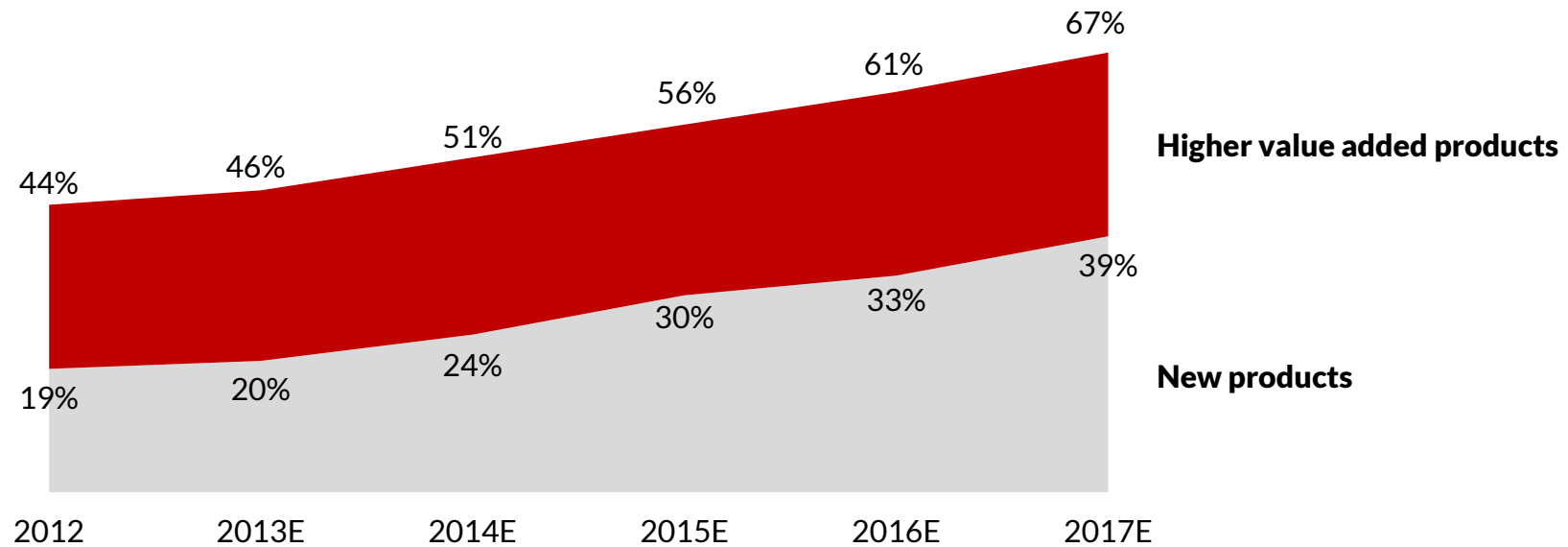


Tubacex has a global presence with manufacturing facilities located in Europe and America

INNOVATION PLAN

IMPROVEMENT OF THE MIX

Weight of new products in the mix



Progressive increase in the weight of higher added value products in the total sales

WHAT DO WE NEED?

Essential Condition:

Change the Group's Business Model



Changes to the human resources and organizational structure

- Proactive search for opportunities with the client
- Offer solutions rather than a standard product
- Robust management of the industrialization
- Develop and protect critical knowledge

OPERATIONS PLAN

INDUSTRIAL STRATEGY. Our Goals

To become a benchmark supplier we need to...

- Increase the **productivity and efficiency** in our mills when manufacturing High Added Value Products
- Focus on **Operational Excellence**
- Keep on increasing our **Competitiveness**



INDUSTRIAL STRATEGY. Priority Areas

Management Units

Standardized Daily Management

Improvement plan for each plant

Knowledge Management:
Senior managers

New agreement:
Flexibility

TPM, 5's

- Standardize the daily management methodology by dividing the plants into management units
- Radical Improvement Plan for each plant focusing on redefining layout and product flow
- Implementation of an organization focused on knowledge management, incorporating senior managers
- Negotiation of a collective bargain agreement allowing greater flexibility
- Extensive use of Lean Enterprise tools as TPM and 5S's



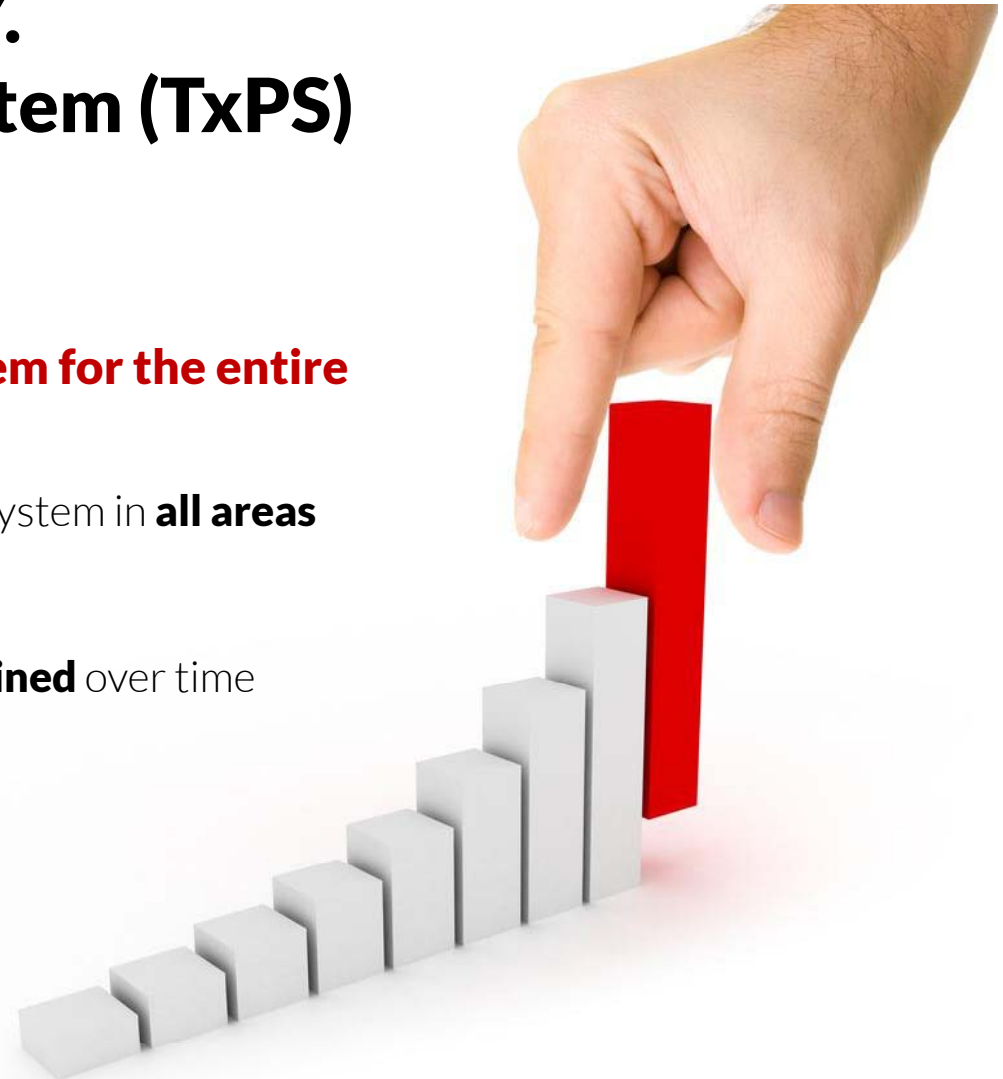
Focused on operational excellence ...

INDUSTRIAL STRATEGY. Tubacex Production System (TxPS)

TxPS is a **standard Management System for the entire Tubacex Group** focused on:

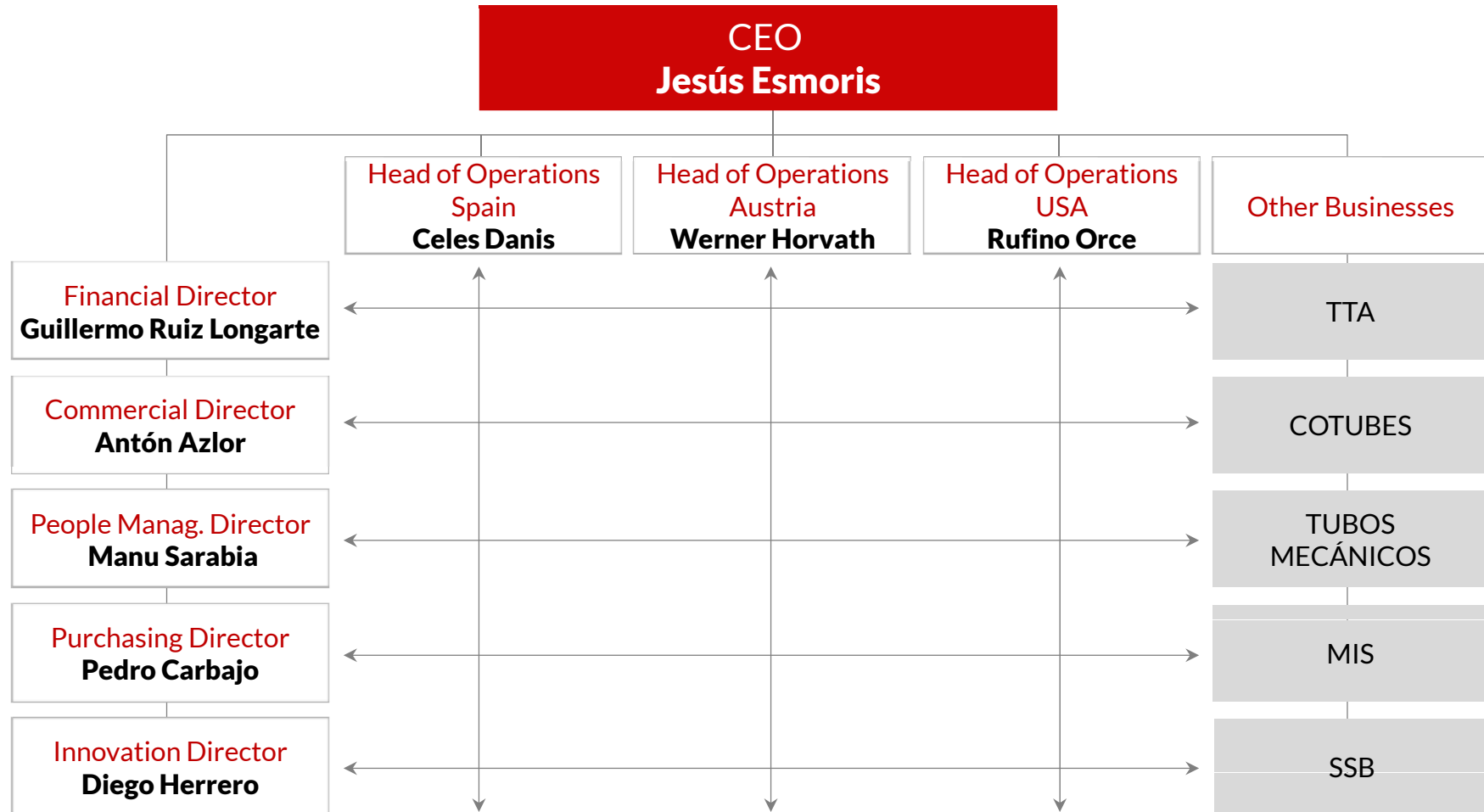
- Implementing an **ongoing improvement** system in **all areas**
- Involving **all personnel from all areas**
- Ensuring that the improvements are **sustained** over time

... Competitiveness



ORGANIZATION

STRATEGIC PLAN. Tubacex Executive Management



ORGANIZATION

OUR ROADMAP...

Phase I

2013 - 2014



**CASH
GENERATION**

Phase II

2015 - 2016



GROWTH

Phase III




2017...



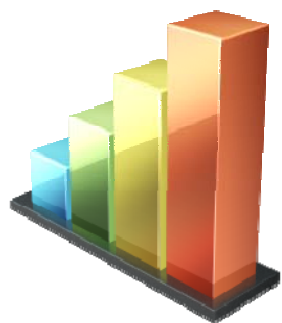
**ACHIEVEMENT &
CONSOLIDATION**

ORGANIZATION

OUR ROADMAP...

	Phase I 	Phase II 	Phase III 
Product Mix	High Added Value Prod. 30% vs. 70% Traditional	High Added Value Prod. 40% vs. 60% Traditional	High Added Value Prod. 50% vs. 50% Traditional
Sales growth	>15%	> 15%	> 10%
EBITDA Margin	10%	12%	15%
Net Debt / EBITDA	< 3x	2 - 3x	2 - 3x
RoCE	10%	12%	15%
WC / Sales	45%	40%	35%

STRATEGIC OBJECTIVES. 5-year strategic goals



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**MANY THANKS FOR
YOUR ATTENTION**



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1963 - 2013