

TUBACEX

Palacio de la Bolsa de Madrid

1

Results Release 9M 2014

2

Status of the Strategic Plan

3

IBF Acquisition

a.

Introduction to IBF

b.

Strategic Fit

c.

Transaction and Impact



TUBACEX 9M Results Release

Significant events during the period



Collective agreement



Promissory notes



Urea order



**Anticipation of
Strategic Plan**



**Dividends
payment**



**OCTG order for
Total**

Main Financial Figures

€M	9M 2013	9M 2014	%
Sales	412.0	400.0	-2.9%
EBITDA	38.6	49.0	26.9%
EBITDA Margin	9.4%	12.3%	
EBIT	24.1	33.9	40.4%
EBIT Margin	5.9%	8.5%	
Profit Before Tax	12.8	25.2	97.0%
Margin on sales	3.1%	6.3%	
	Dec. 2013	9M 2014	%
Working Capital	217.6	210.1	-3.4%
Net Financial Debt	194.6	149.6	-23.1%
Net Financial Debt / EBITDA	3.8x	2.4x	



Increasing results and strengthening financial position

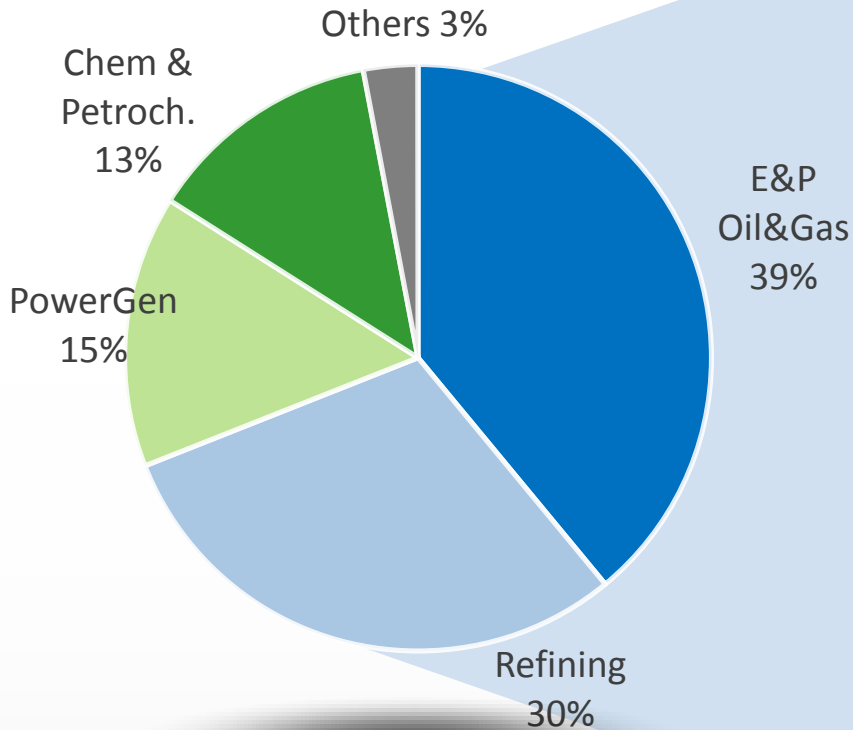
Main ratios

€M	<u>FY 2013</u>	9M 2014
EBITDA Margin	9.3%	12.3%
EBIT Margin	5.7%	8.5%
EBT Margin	3.0%	6.3%
R.o.E.	5.8%	7.9%
R.o.C.E.	6.9%	9.5%
Interest coverage	2.3x	3.7x
Net working capital / sales	39.3%	38.8%
Net Financial Debt / EBITDA	3.8x	2.4x
Net Financial Debt/ Shareholders' Equity	74.9%	53.6%
Shareholders' Equity / Total Assets	40.8%	42.7%



Important improvement in all ratios

Sales breakdown by sector*



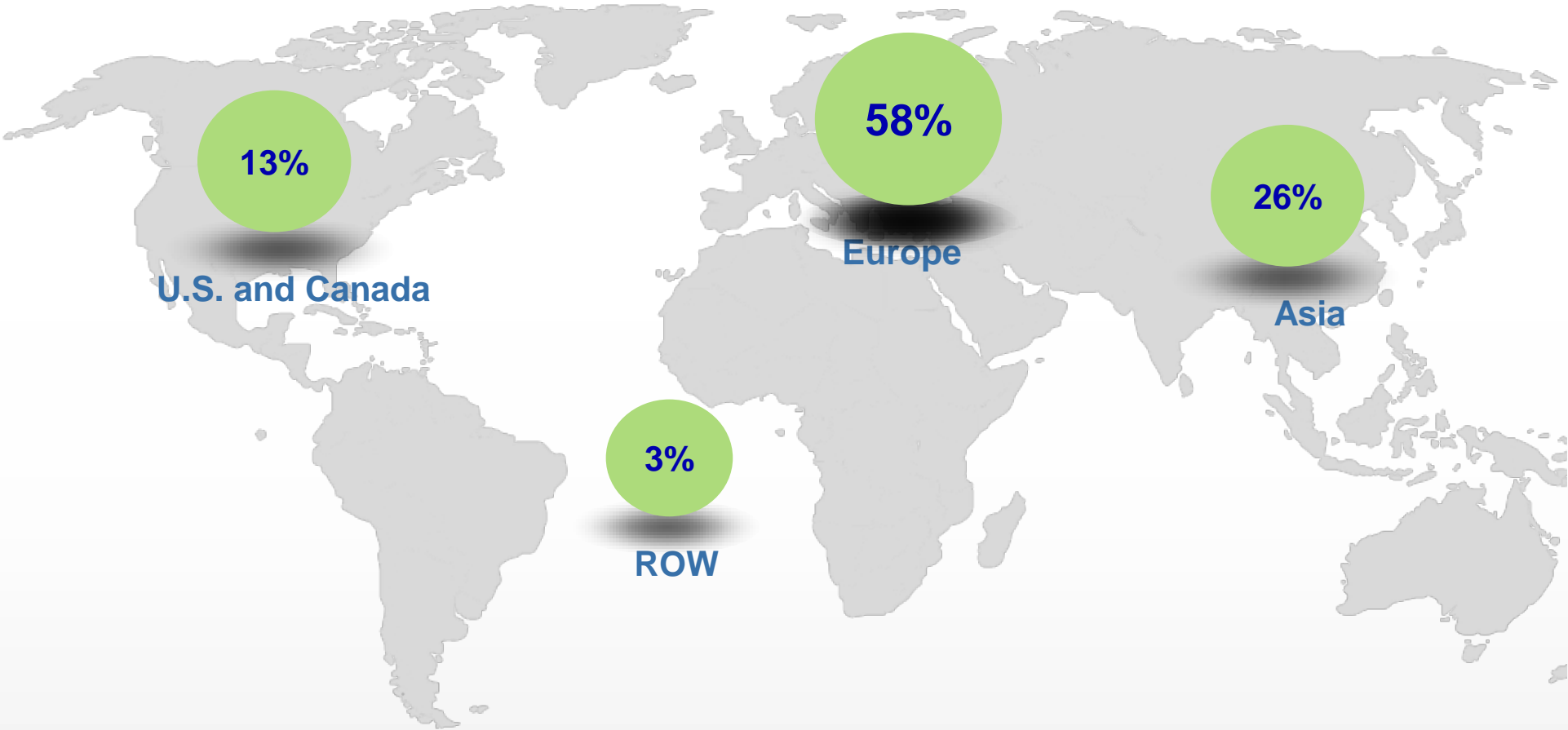
- Oil&Gas sector maintain its increasing weight in Group sales
- Important orders in Subsea sector with important orders for tubes for high pressure equipment and tubes for Oil&Gas production in aggressive environments
- Refining sector focus on USA



Oil&Gas sector accounts by 2/3 of Group sales

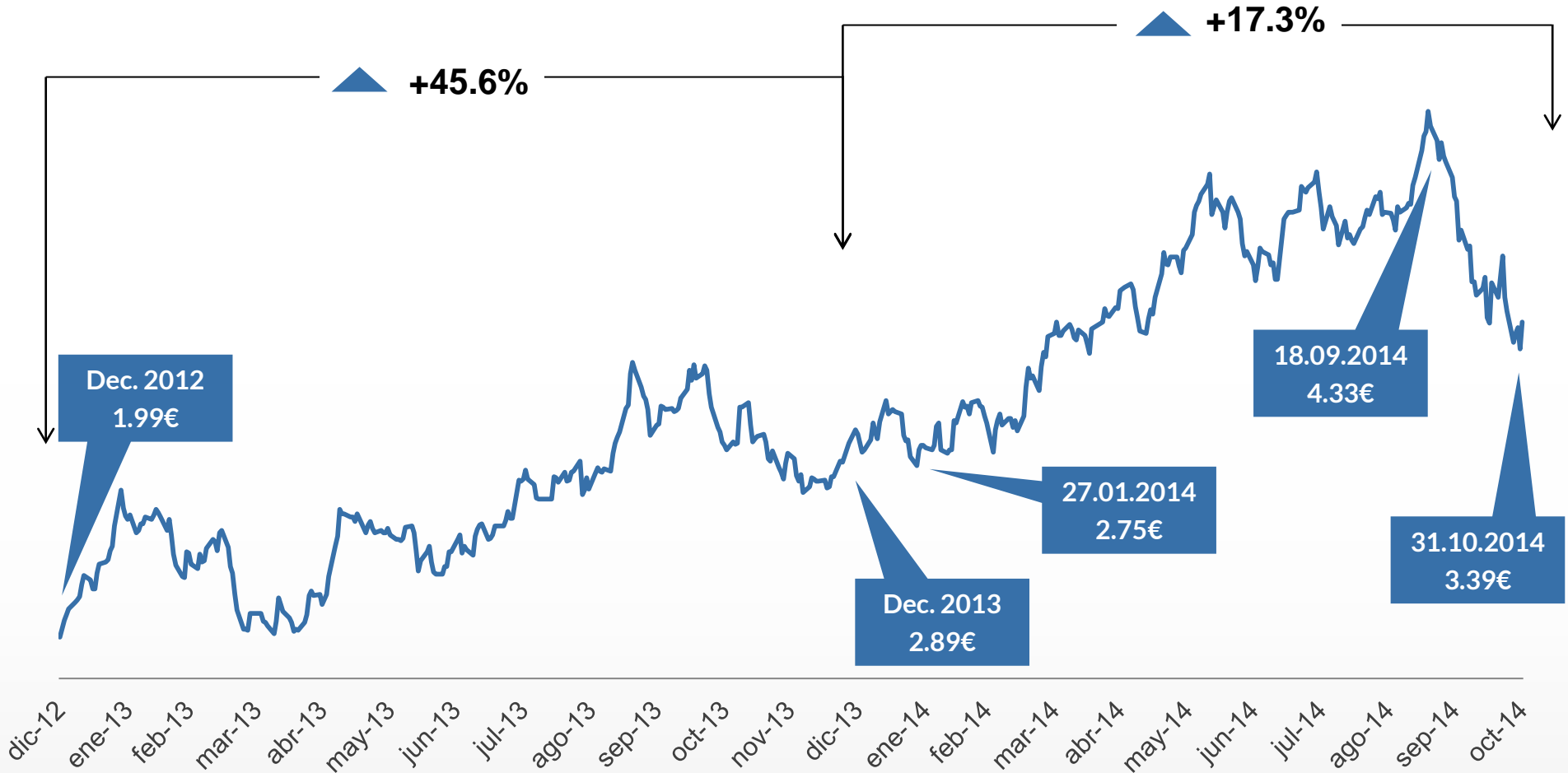
* Sales in the project market 9M 2014

Geographic Sales Breakdown



 | Asia becoming an important hub for Oil&Gas

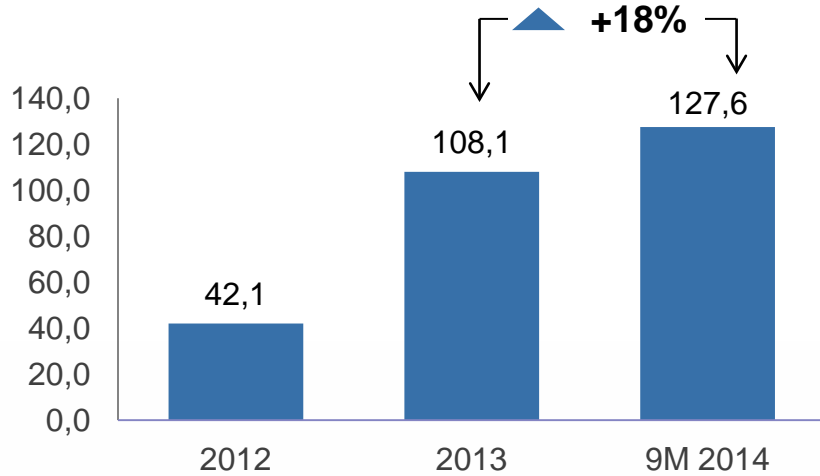
Share Performance



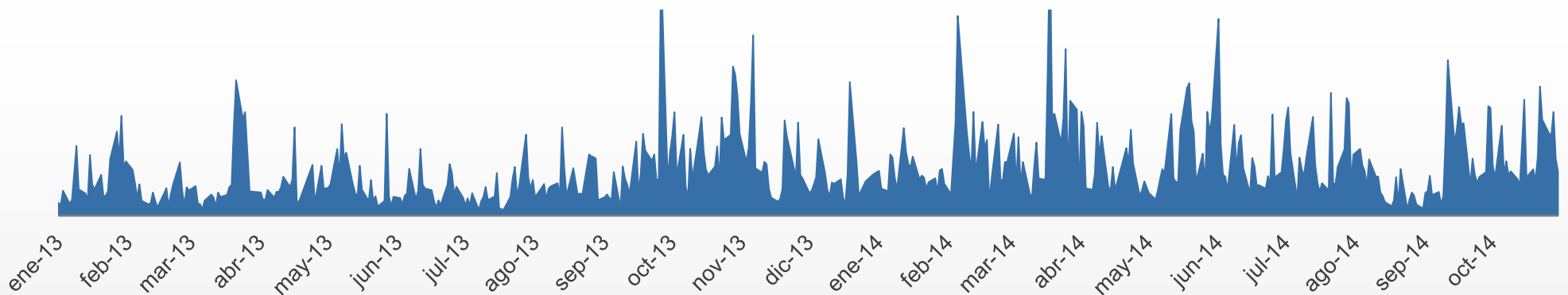
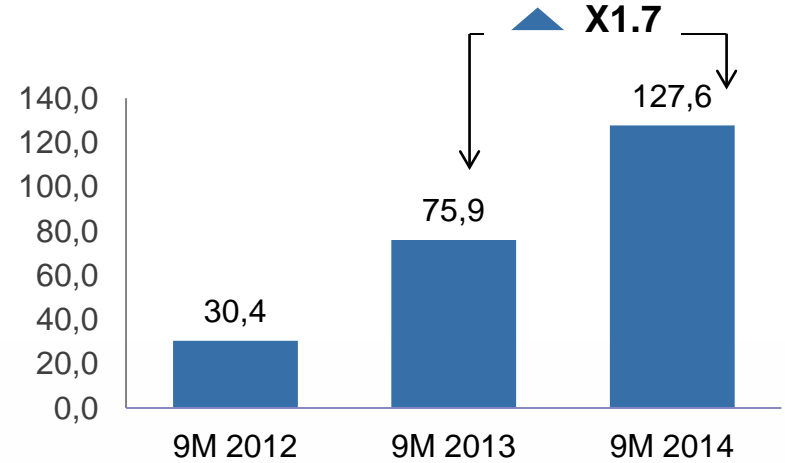
TUBACEX shares have increased by 17.3% until 31st October

Traded Volume

Traded shares (million shares)

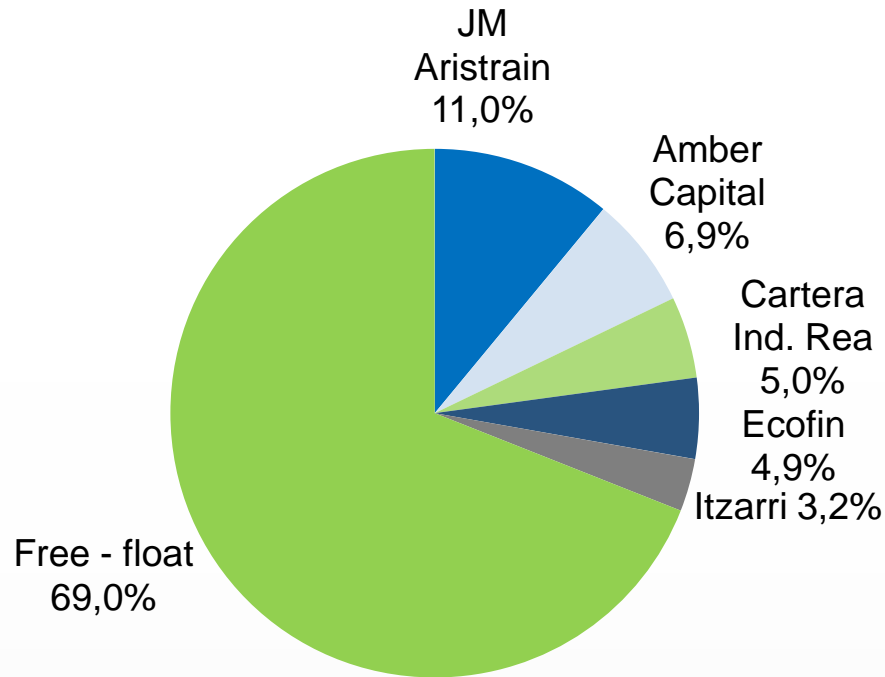


Traded shares (million shares)



Increasing trend in traded volume

Shareholders Structure



Changes to the structure of TUBACEX significant shareholders during the first quarter of the year

- Corporacion Aristrain
- Amber Capital



Shareholders' structure committed with the project



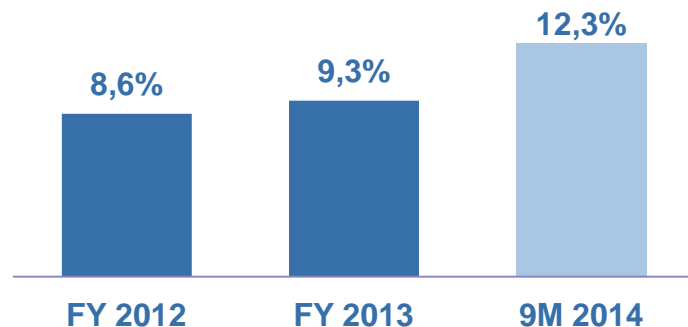
TUBACEX

Status of the Strategic Plan

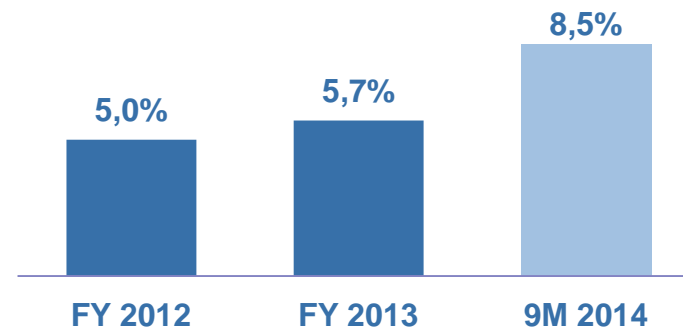


Main Ratios Evolution

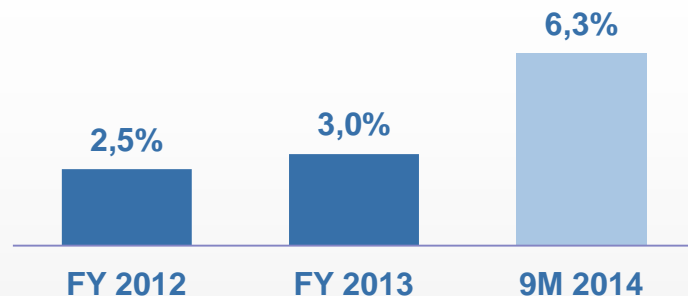
EBITDA Margin (%)



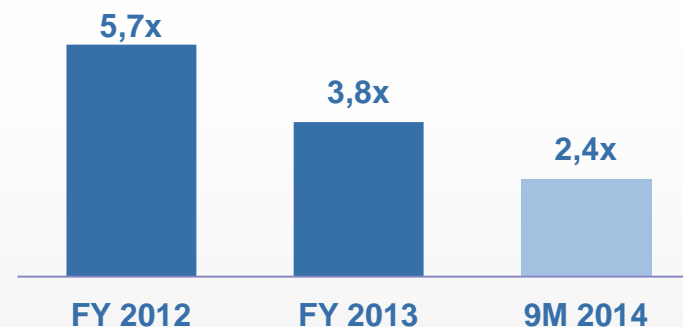
EBIT Margin (%)



EBT Margin (%)








NFD/EBITDA



Improving significantly margins and reducing financial leverage

Fulfillment of the Strategic Plan

	Cash Generation	Growth	
	Phase I 2013-2014 	Phase II 2015-2016 	9M 2014
Product Mix	30% High Value Added Products vs. 70% Traditional	40% High Value Added Products vs. 60% Traditional	35.3%
Sales Growth	> 15%	> 15%	+9.0% ¹
EBITDA Margin	10%	12%	12.3% 
Net Debt / EBITDA	< 3x	2 - 3x	2.4x 
RoCE	10%	12%	9.5%
Working Cap. / Sales	45%	40%	38.8% 

We have already started Phase II

1. Sales growth jan-sep. 2014 vs. jan-sept. 2012, assuming stable nickel price

Phase II Focus

CHANGE OF BUSINESS
MODEL



PRODUCTIVE MODEL
OPTIMIZATION

GROWTH
(organic and
inorganic)
ACCELERATION

**MANAGEMENT
MODEL**
IMPLEMENTATION

We have included the Growth Axis

Growth Strategy

Growth

Phase II
2015-2016



40% High Value Added
Products vs. 60%
Traditional

> 15%

12%

2 - 3x

12%

40%

Vision: Be a solutions provider

- Organic and inorganic growth focused on value generation and looking for complementarity and synergies.
- Maintain debt multiples of 2-3 times EBITDA.
- Feasible and manageable integration processes.

Organic Growth

- Strategic Alliances
- New Products
- Services to increase added value



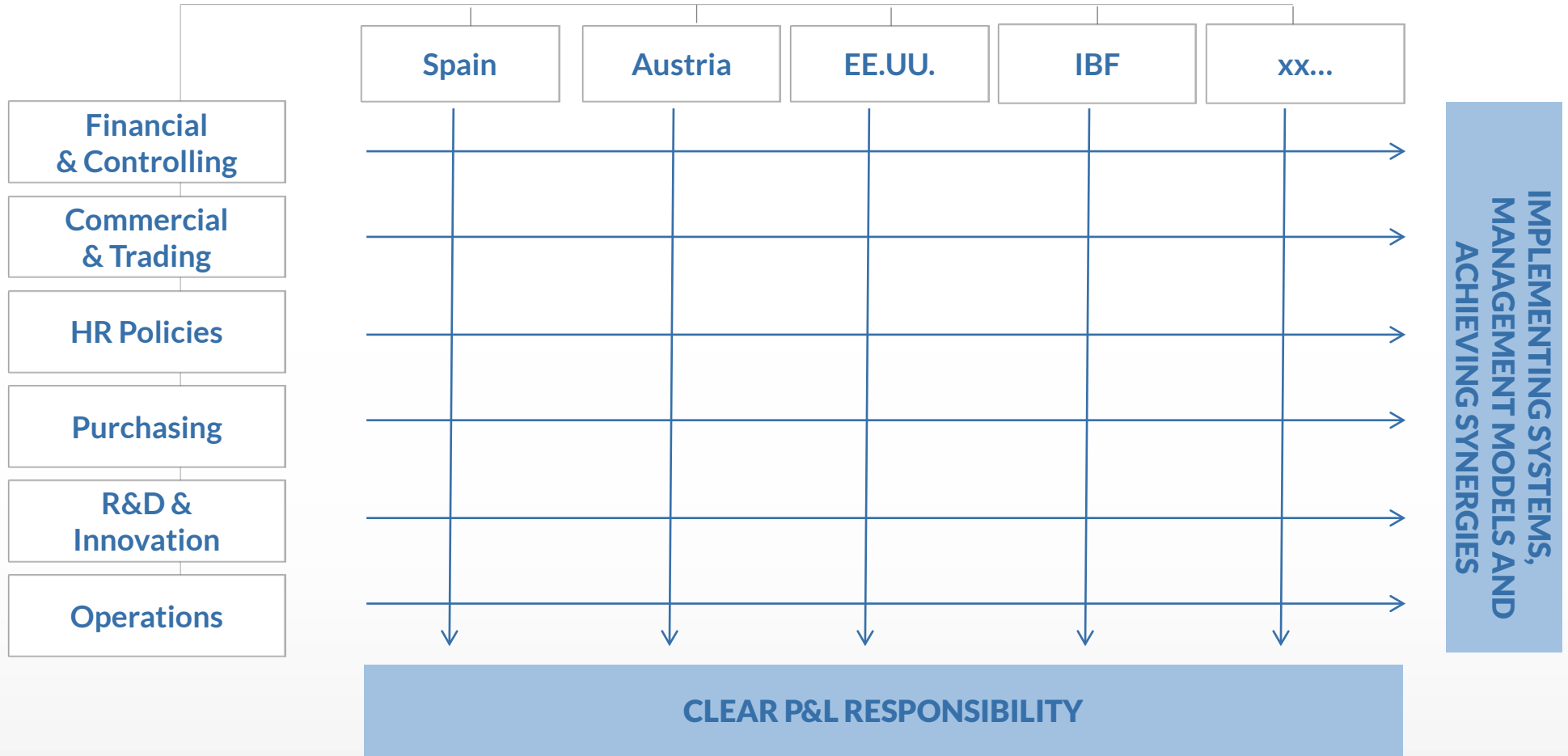
Inorganic Growth

In:

- “Brown Field” in LCC
- Complementary products
- Move forward in Value Chain



Organizational Structure

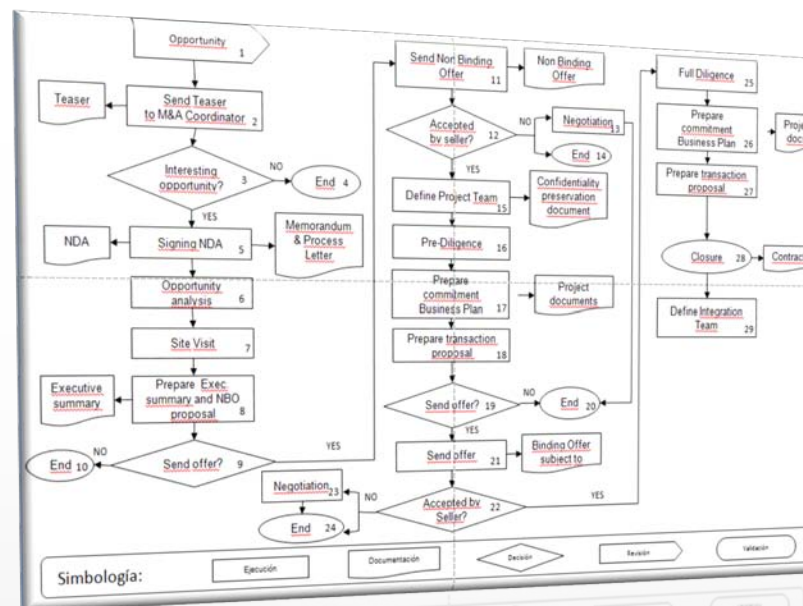


Organizational structure ready for integrating companies

M&A Forum

- The M&A Forum was created in 2013 with a specific process map
- The M&A Forum is responsible for analyzing any M&A opportunity in the market and its fit in Tubacex Group
- Since its creation this Forum has screened more than 30 companies

Foro	Participantes	Periodicidad	Calendario	Funciones
Operacional Líder: Director Operaciones	<ul style="list-style-type: none"> • CEO • Gerentes • Equipo Operaciones • Equipo Corporativo 	2/año Duración: 1 día	Primera con lanzamiento de PG: -OP. SPAIN (Febrero) -OP. AUSTRIA (Marzo) -OP. EE.UU (Abril)	<ul style="list-style-type: none"> • Seguimiento temas operativos • PDCA-Gestión
Técnico-Comercial Líder: Director Comercial	<ul style="list-style-type: none"> • CEO • Directores Operaciones • Comerciales • Comerciales Externos • Director Innovación 	1/Trimestre Duración: 1 día	FEBRERO con lanzamiento de Plan de Marketing	<ul style="list-style-type: none"> • Revisión pedidos • Revisión estrategia Cliente • Revisión estrategia Producto • Servicio al cliente
Convención anual Líder: CEO y Director Corporativo RRHH	>100 Personas clave del Grupo	1/año Duración: 1 día	DICIEMBRE 2014	<ul style="list-style-type: none"> • Compartir Estrategia • Comunicar, informar
M&A Líder: Coordinador M&A	<ul style="list-style-type: none"> • Presidente • CEO • Director Comercial • Director Innovación • Coordinador M&A • Invitados Comité de Dirección • Invitados Comisión Estrategia 	Bimensual Duración: ½ día 1-2 año Con Comisión Estrategia		<ul style="list-style-type: none"> • Definir objetivos • Priorizar oportunidades • Liderar procesos M&A: Due Diligence, valoraciones.



The Best opportunity for TUBACEX: IBF



IBF

A strong step towards becoming a complete Oil&Gas solutions provider



1

Introduction to IBF

2

Strategic fit

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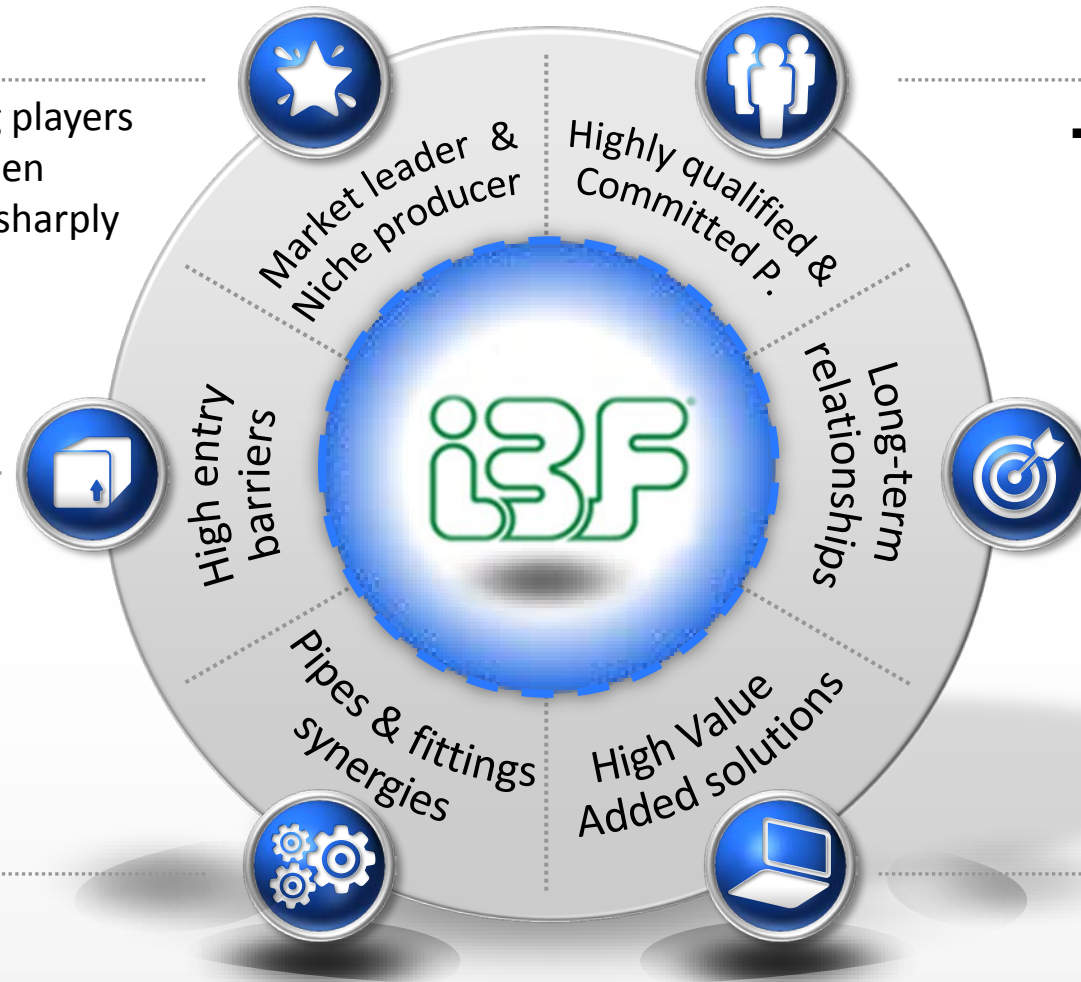
Transaction and Impact

IBF strengths

- Recognized as leading players in Oil&Gas & Power Gen
- Demand expected to sharply increase

- Certifications
- Vendor lists
- Limited competition

- Complete portfolio of products
- Commercial and manufacturing synergies

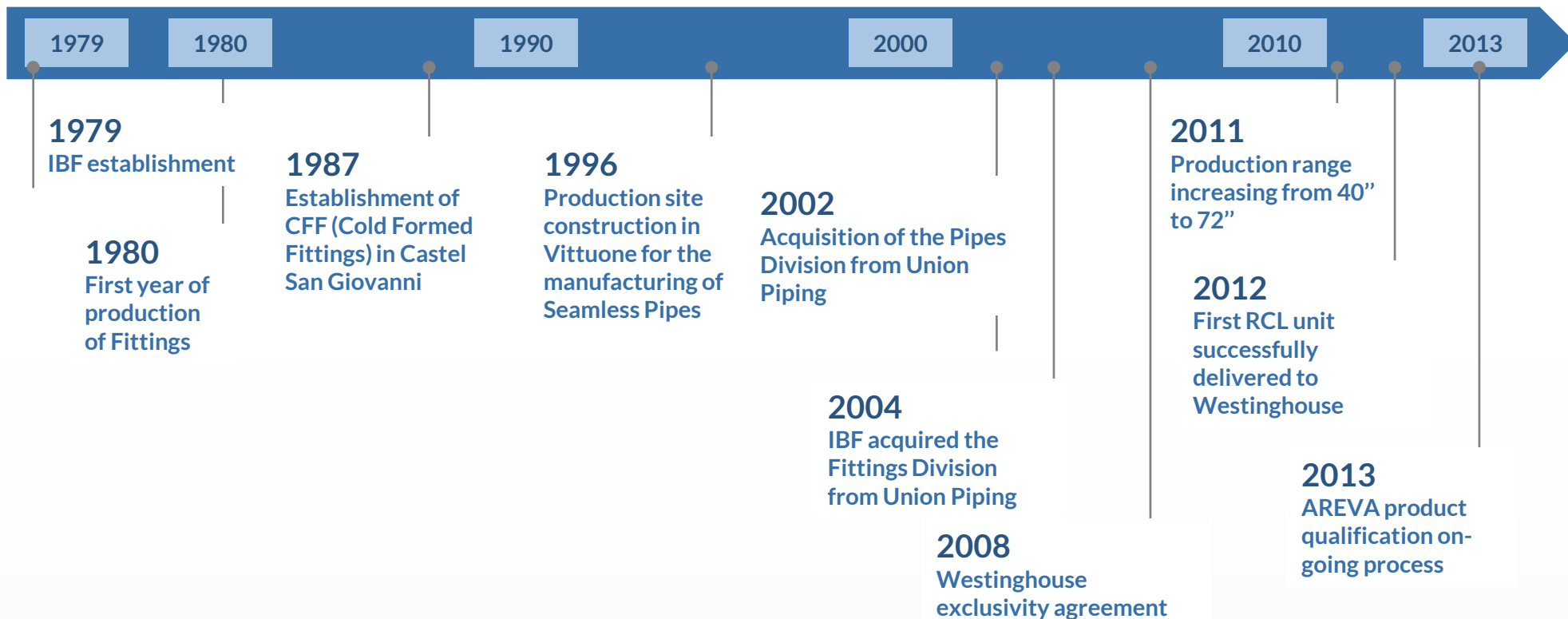


- Highly qualified personnel
- Extensive industry expertise

- Consolidated and privileged relationships with customers

- Premium products & solutions


History




Geographical presence

Italian manufacturing facilities


Fittings Division (San Nicolò)




Plant 1: 20,790 sqm



Plant 2: 17,184 sqm




Plant 3: 12,474 sqm

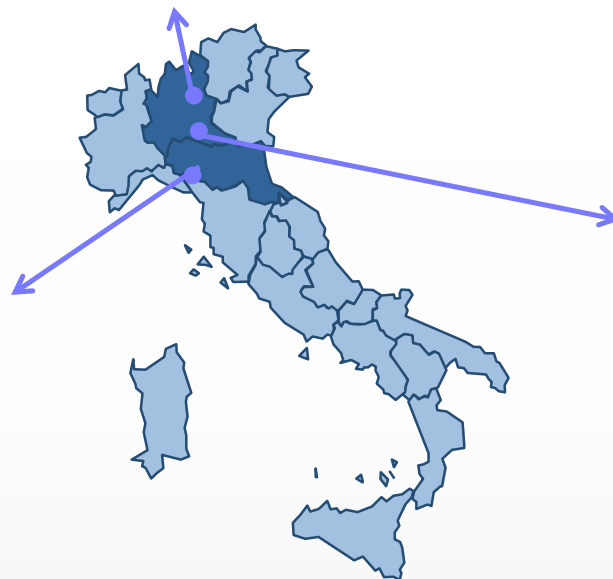


Plant 4: 5,814 sqm


Head office (Colnago)




Total Area: 542 sqm




Pipes Division (Vittuone)



Plant 1: 13,333 sqm

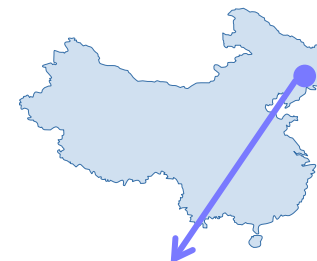


Plant 2: 6,562 sqm

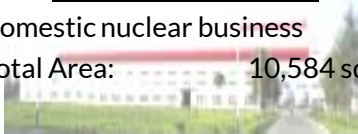


Plant 3: 12,000 sqm

Chinese JV

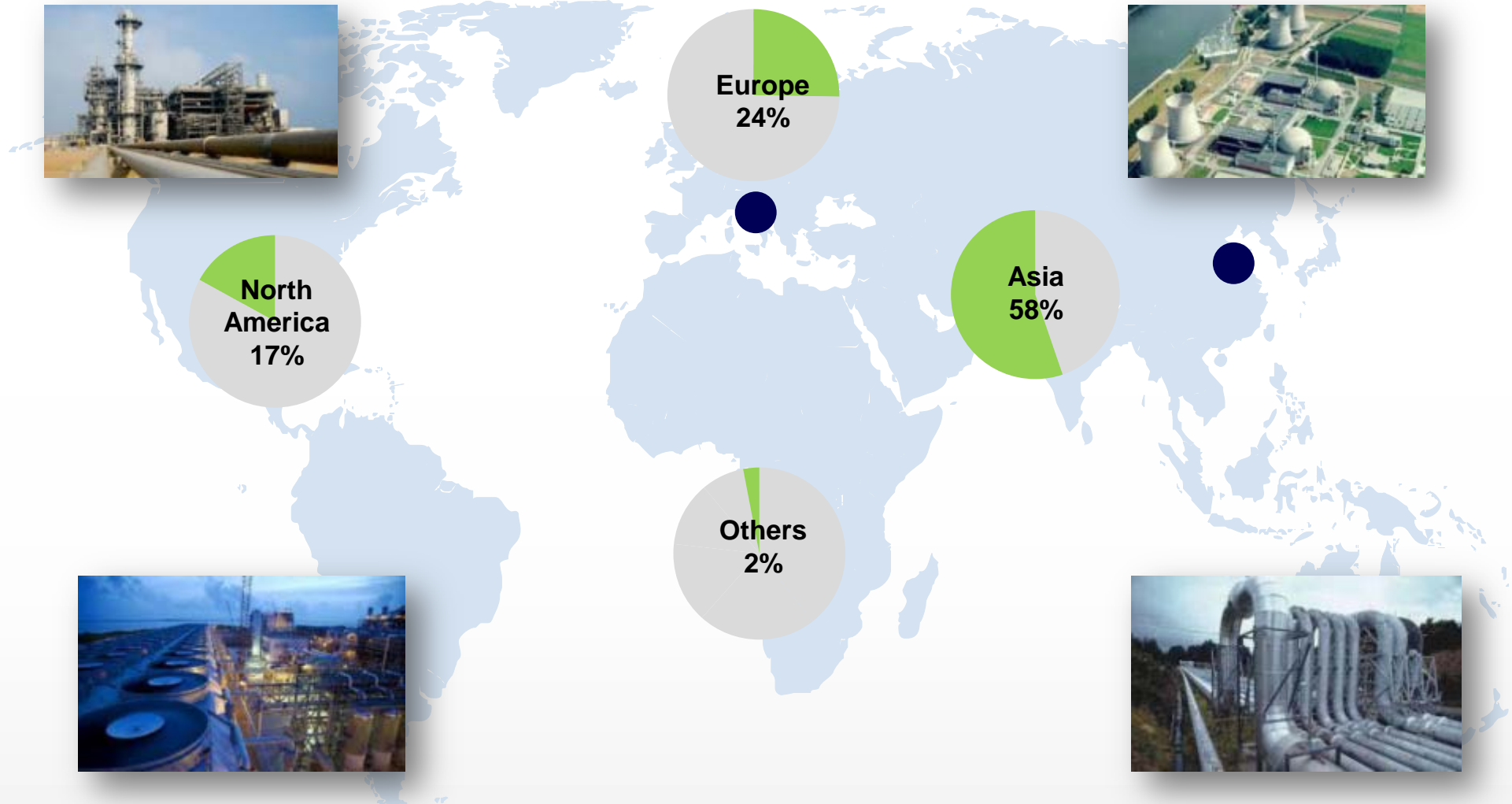


JSI CO. Ltd (Jilin City)
Domestic nuclear business
Total Area: 10,584 sqm



Manufacturing facilities in Italy and China

Sales destination 2013



Excellent geographic position

Sales destination 2013



Strategic focus on Oil&Gas and Energy

Product portfolio



Boring at pipes factories.

Pipes Division

- Outside diameter: from 0.5" to 42"
- Wall Thickness: any
- Length: from 0.5mt to 20 mt
- Execution: seamless
- Material: stainless steel, duplex / superduplex, austenitic steel, nickel alloy, ferritic steel, low alloy steel, carbon steel
- Process: bar boring and mechanical boring

Product portfolio



Fittings Division

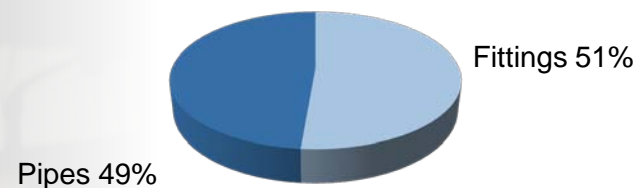
- Outside diameter: from 0.5" to 72"
- Wall Thickness: any
- Length: from 0.5mt to 20 mt
- Execution: welded and seamless
- Material: austenitic steel, nickel alloy, titanium alloy, ferritic steel, low alloy steel, carbon steel
- Process: hot forming and cold forming
- Additionally: special components (i.e. laterals, manifolds, tees, stress joints, weldolets)



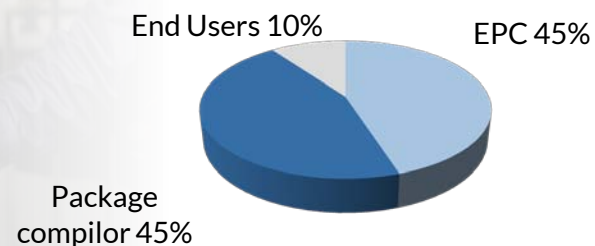
Product portfolio: 2013 revenues breakdown



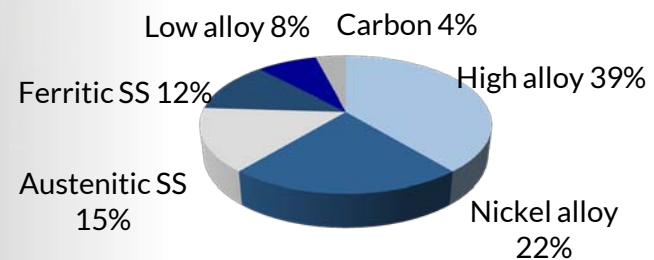
By Product



By Channel



By Steel grade



Technological process

Pipes Division



1. Outside machining
2. Boring
3. Lapping
4. Heat Treatment
5. Sampling & mech. test
6. Hydrostatic test
7. Visual & dimensional
8. Ultrasonic test
9. Beveling
10. Marking & Packing

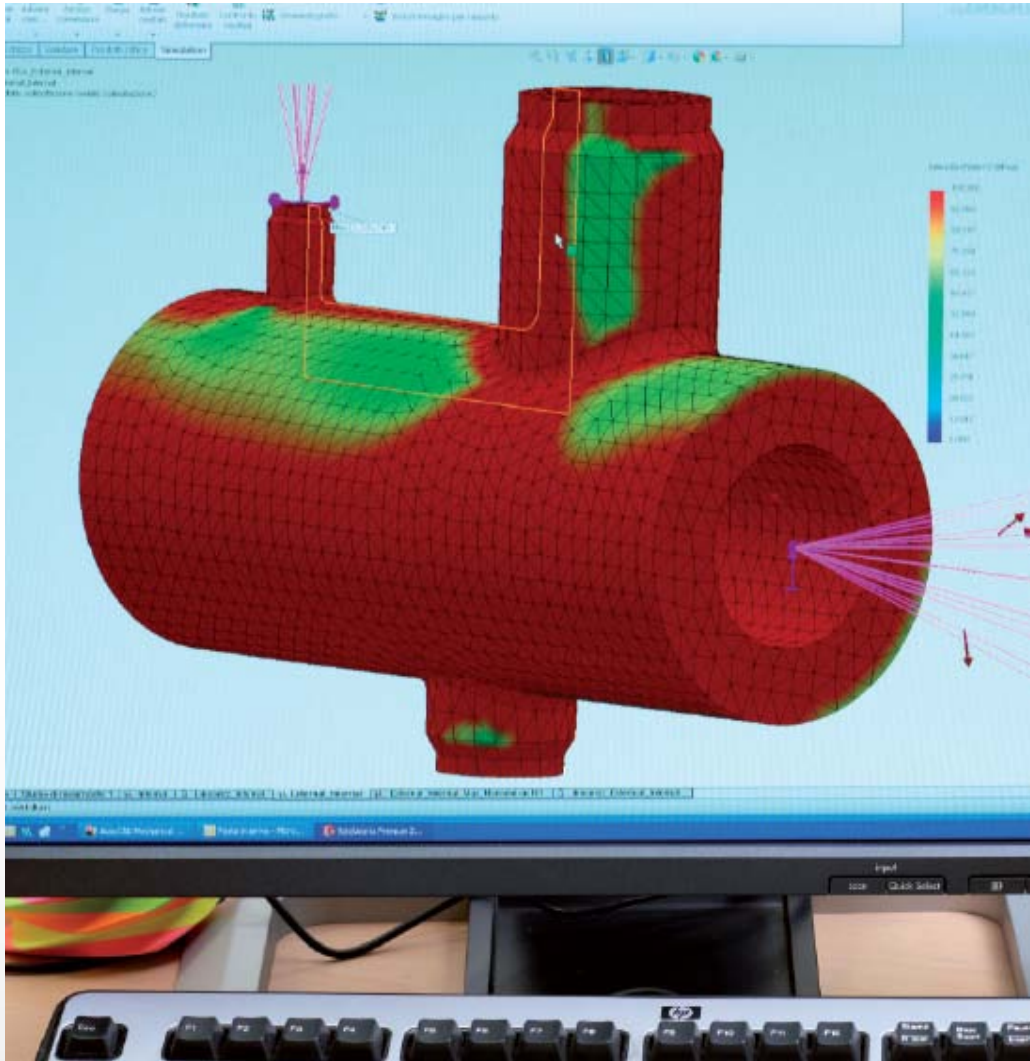
Fittings Division



1. Cutting
2. Heating & Forming
3. Heat Treatment
4. Extralength cutting
5. Sampling & mech. test
6. Beveling
7. Shot Blasting
8. Pickling
9. Dye Penetrant Test
10. Visual & Dimensional
11. PMI
12. Marking & Packing

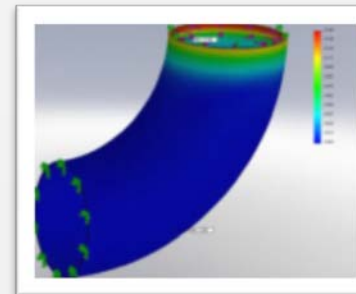
Specialized technological process

Research & Development



R&D

- Strong engineering & R&D capabilities
- Cooperation with University of Milan in testing innovative materials and potential new applications
- The technological office focus on designing new products and performing feasibility studies of new equipment
- State-of-the-art laboratory equipped with all the testing tools required for performance controls



Financials

Income Statement (€M)

	2012	2013	2014F
Total Sales	114,5	135,7	142,3
Gross Profit	55,4	59,1	59,5
EBITDA	11,4	12,2	12,8
EBIT	5,3	6,4	7,1
<hr/>			
<i>As of % of Total Sales</i>			
Gross Profit	48%	44%	42%
EBITDA	10,0%	9,0%	9,0%
EBIT	4,6%	4,7%	5,0%

Balance Sheet (€M)

	2013	jun-14
Fixed assets	18,3	16,0
Inventories	63,0	46,5
Receivables	31,8	45,3
Others	4,6	4,3
Total Assets	117,6	112,1
<hr/>		
Shareholders' equity	33,0	34,5
Payables	32,1	29,6
Others	3,8	6,2
Net Financial Debt	47,1	40,0
Other short term liabilities	1,6	1,8
Total Liabilities	117,6	112,1

Sound financial position with room to improve

1

Introduction to IBF

2

Strategic fit

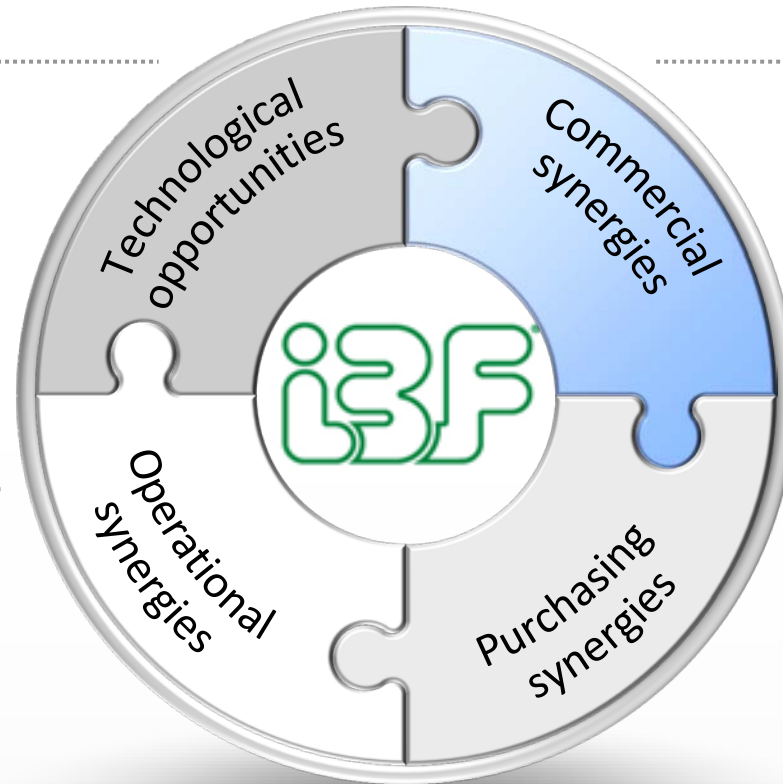
3

Transaction and Impact

Investment rationale

R&D opportunities for development of new products / materials

Significant improvements as consequence of TxPS implementation



Tubacex becomes the only manufacturer with complete dimensional range

Synergies that allow to increase contribution margin

The acquisition allows Tubacex to accelerate the objective of becoming a global solutions provider

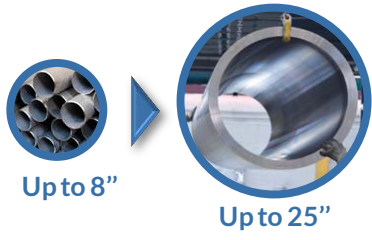
Investment rationale



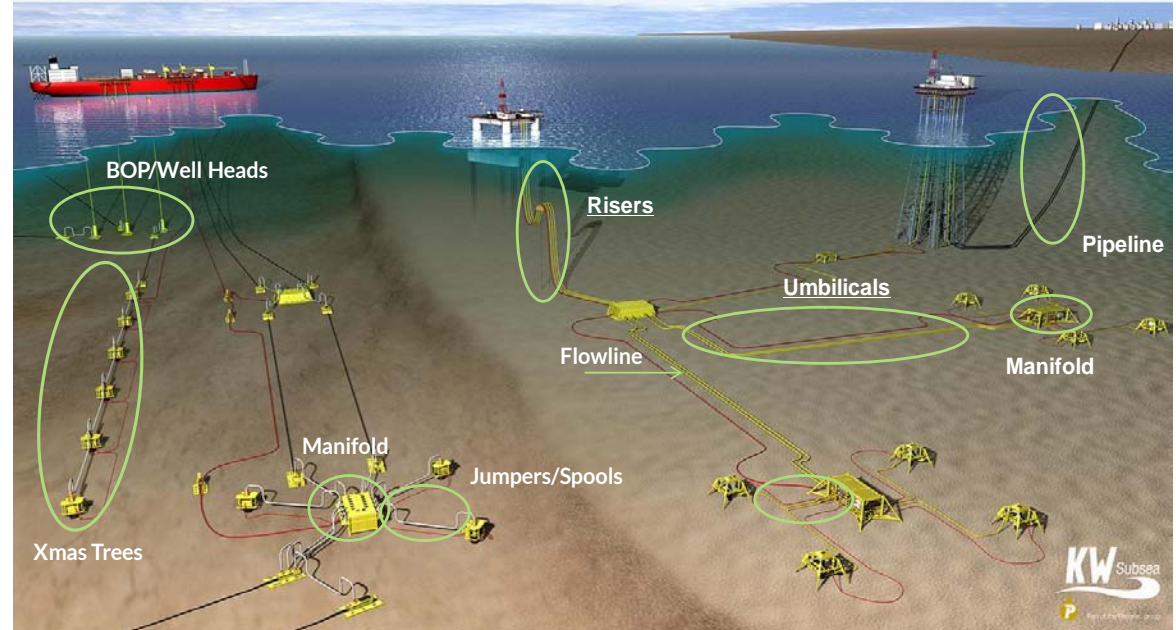
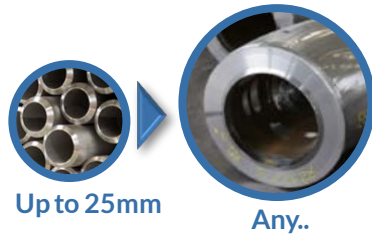
Commercial synergies: Product (i)

- Tubacex becomes the only Company that can offer the complete dimensional range in Seamless Stainless Steel Tubes

Outside Diameter



Wall Thickness

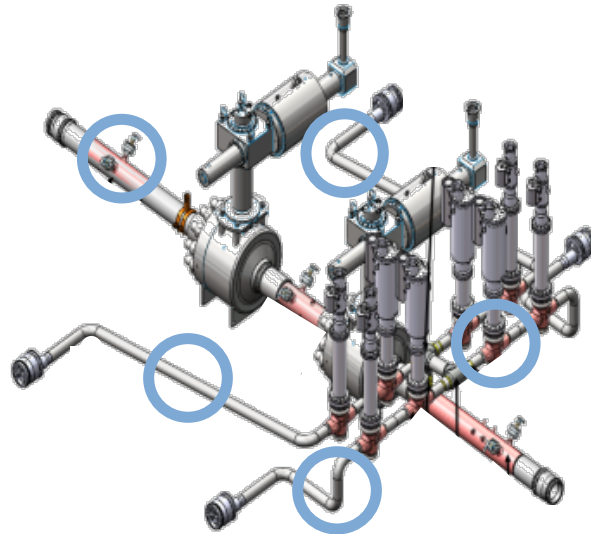


Complete dimensional range

Investment rationale

Commercial synergies: Product (ii)

- The acquisition allows Tubacex to increase significantly its position in the fittings market
 - Manifolds, special components, laterals, etc.
- The deal strengthens the Tubacex competitiveness position by offering a combination of pipes and fittings



Entire offer of Premium Solutions



Investment rationale



Commercial synergies: Product (iii)

Oil & Gas E&P Onshore and Offshore	Downhole	OCTG
	Subsea	Well Intervention Trees, Manifolds, Flow lines Umbilical, Control lines Risers, Jumpers, Connections Platforms, FPSO
Mid & Downstream	Top side	
	Transportation	Ships Process piping
	Process, re-gas	
	Refining	Linepipe Furnace, Heaters Hydrocrackers Heat exchanger, Air coolers Condenser, Scrubber
	Petrochemical	
Power Generation	Fertilizer	
	Power Generation	Boiler Nuclear Main steam lines Hot- Reheat lines
Metal mechanic		
	Metal-mechanic	Hollow Bar Bar & Billets

Complementary products

New products added

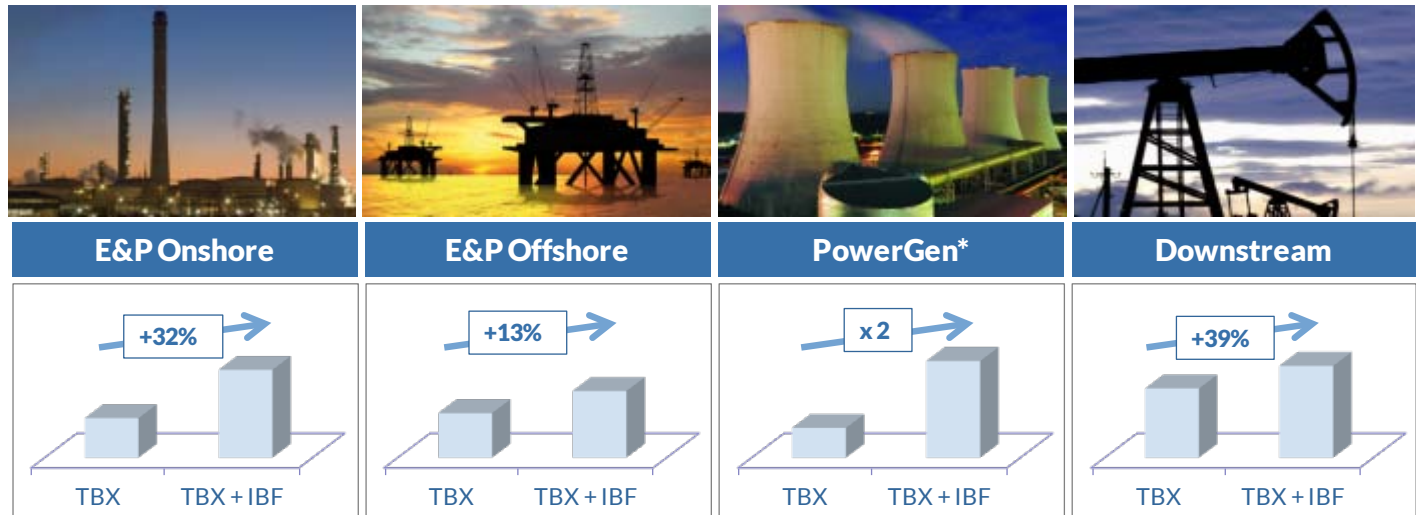
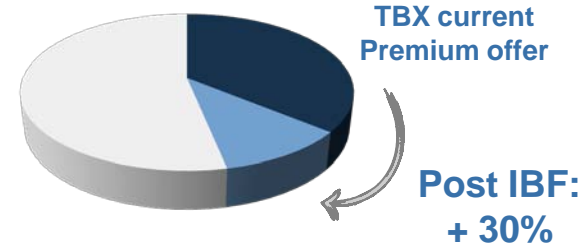
Complementary products in all applications

Investment rationale



Commercial synergies: Sector

- IBF acquisition allows Tubacex Group to increase its premium offer by 30%
- Increase of the offer by application sector



Increase in Premium Product offer

*Including nuclear

Investment rationale



Commercial synergies: Customers

- Clear commercial synergies due to the complementarity of clients

End User



EPC / Contractors



Traders



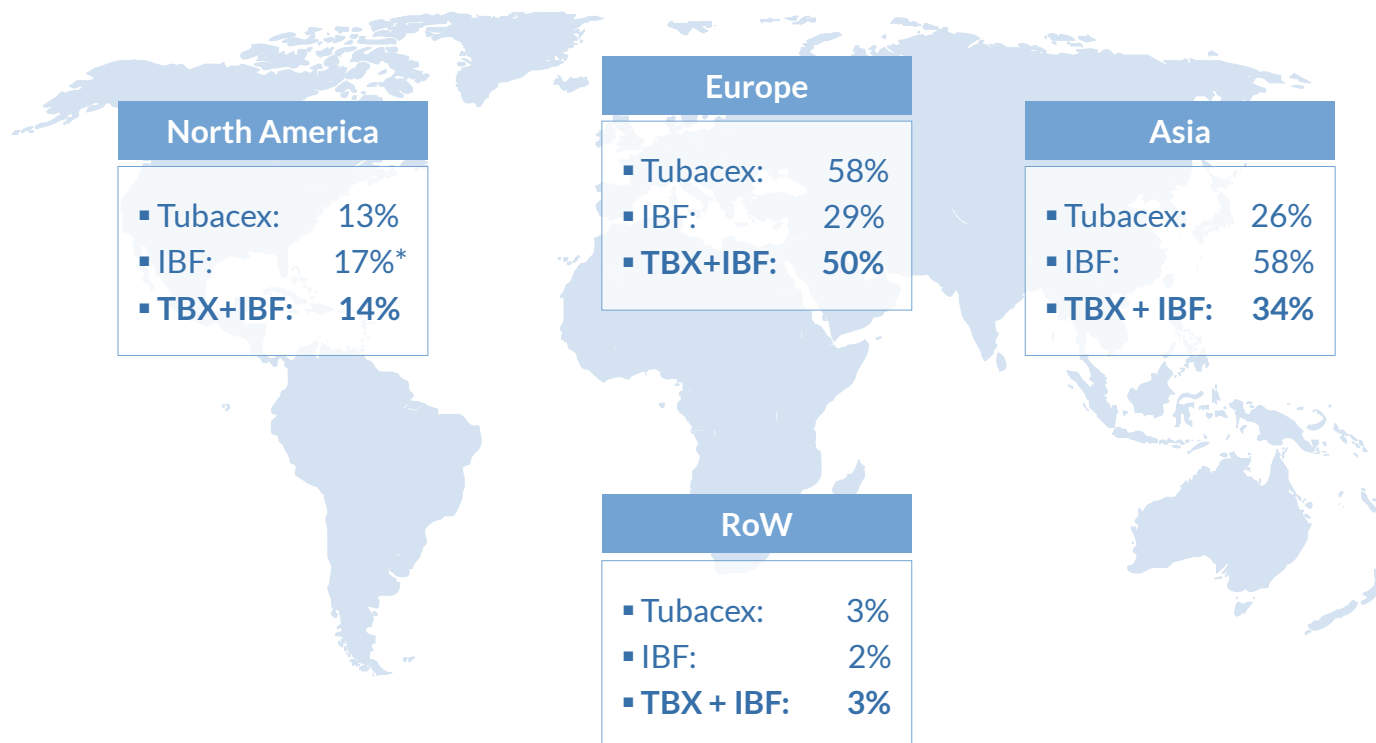
Move forward in the Value Chain

Investment rationale



Commercial synergies: Geographic

- Revenues breakdown by customer country



Strong position in growing markets

*8% excluding IBF sales in the nuclear sector

Investment rationale



Purchasing synergies

- Synergies when buying raw material
- Potential improvement in the management and sale of stainless scrap
- Potential improvement in the purchase of other consumables and goods
- Potential for synergy concerning the reuse of carrots as mother tubes for smaller tubes manufactured in TTI or SBER



Creating value for Tubacex and IBF

Investment rationale



Operational synergies

- TxPS implementation would allow significant improvements in capacity and productivity
- Substantial operational improvements in reducing operating costs and rationalizing of working capital



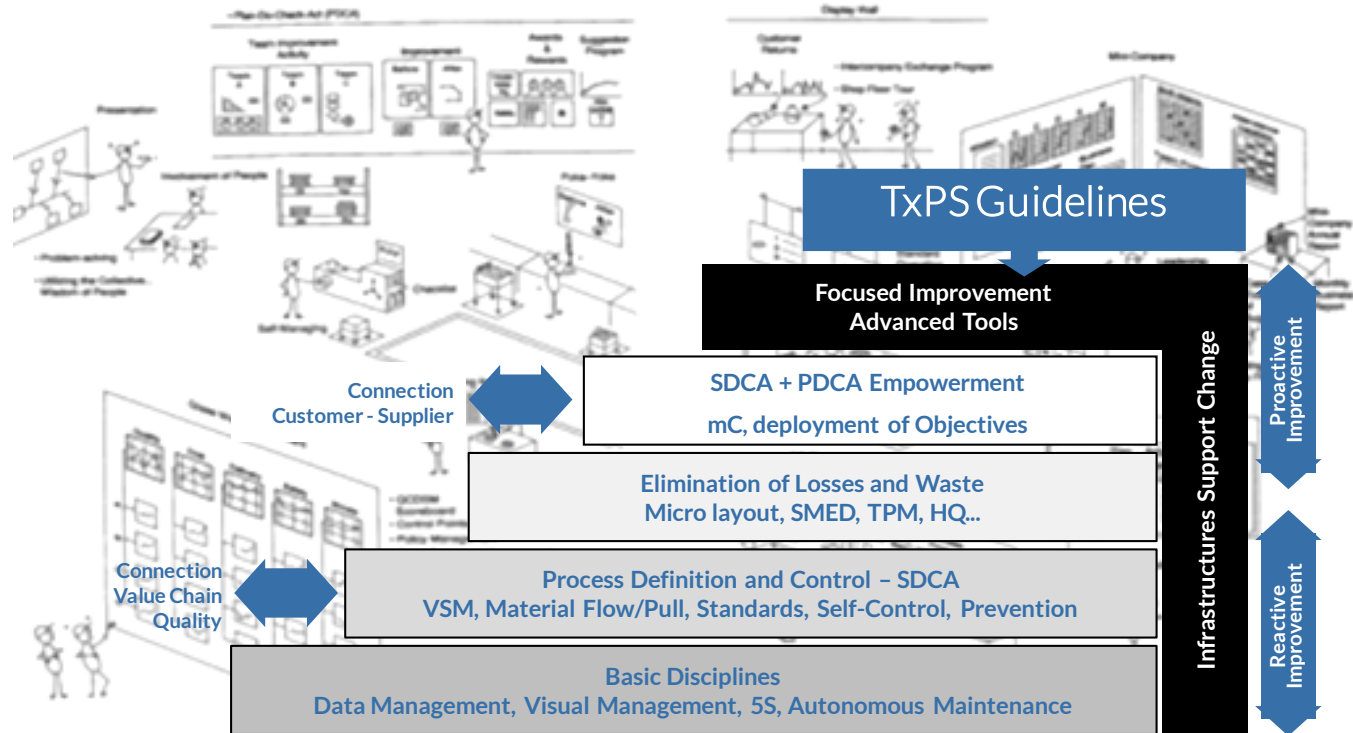
Together towards excellence



Investment rationale



Operational synergies



Replicate the successful model implemented in Tubacex

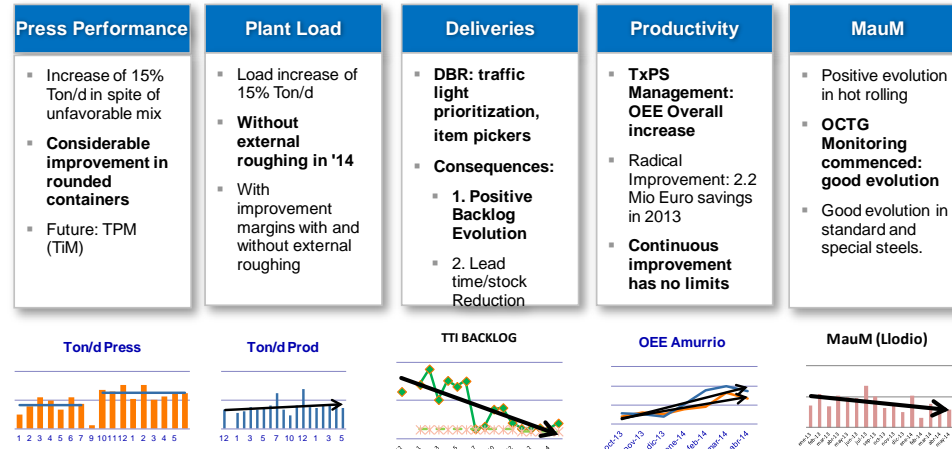
Investment rationale



Operational synergies

Goals Achieved:

- Strong reduction of working capital thanks to lean manufacturing methods
- Decrease of lead time
- Productive improvement (OEE increase) together with cost cutting
- Better use of materials improving refuse index and MauM



Repeat the improvements achieved in Tubacex

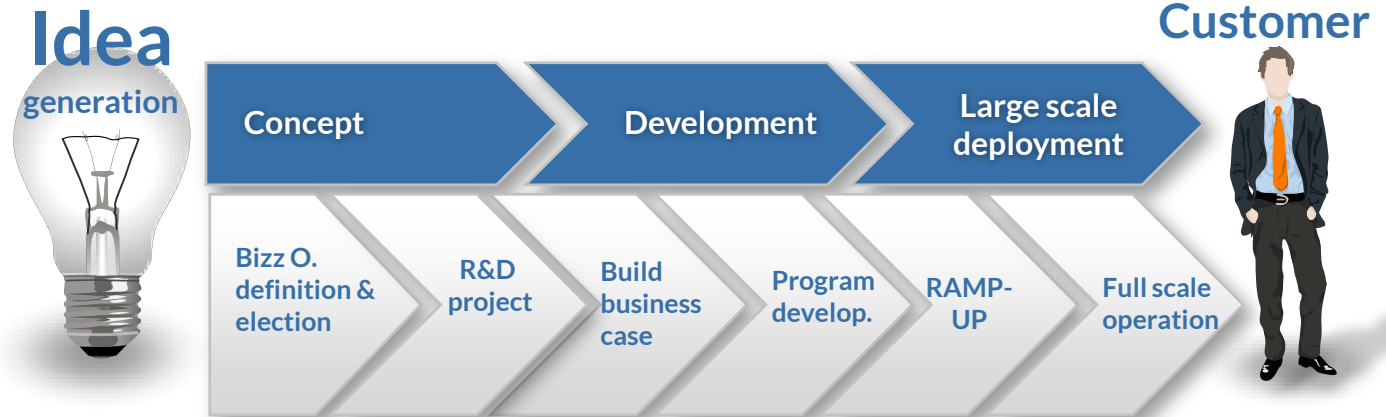
Investment rationale



Technological and R&D Opportunities

Opportunities from the customer development point of view

- Common R&D projects (materials, solutions, etc.)
- A strong step towards becoming a full provider of solutions
- Combined process to extend the product range
- Stronger platform to develop new products with customers (i.e. engineering capabilities, full range of products)



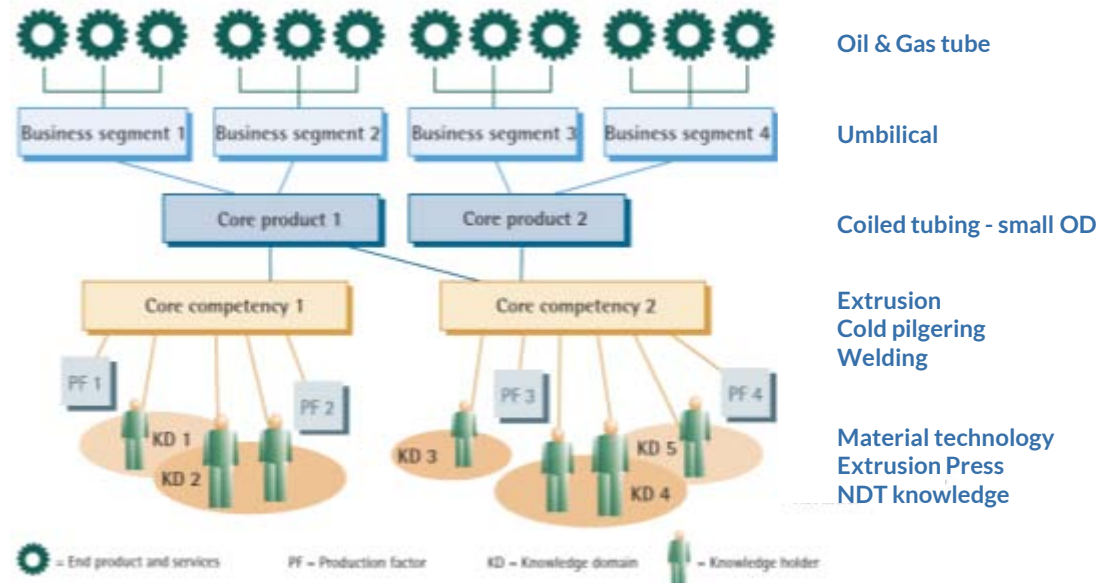
Investment rationale



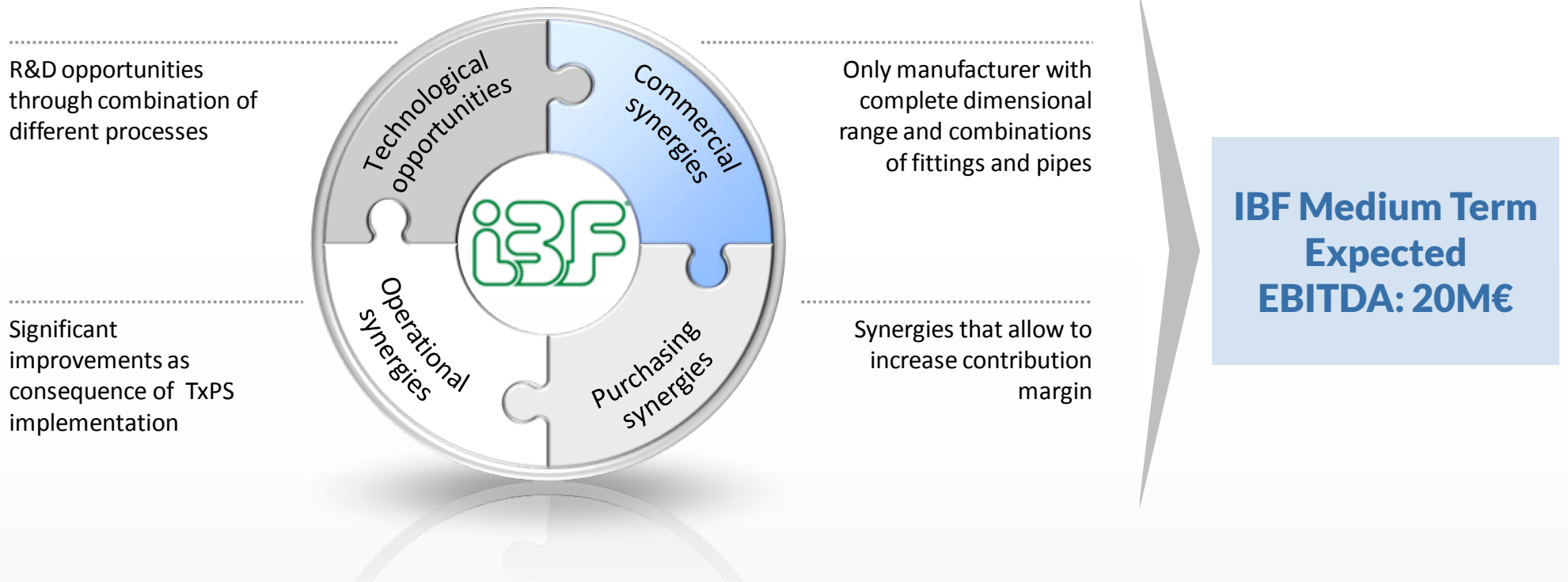
Technological and R&D Opportunities

Opportunities from know-how point of view

- Complementary technologies to manufacture a broader range of products
- Development of process know-how
- Best-practice deployment



Investment rationale



Potential of improvement in IBF Results

1

Introduction to IBF

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Strategic fit

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Transaction and Impact

Transaction details

- TUBACEX takes over 65% of IBF share capital with a call option for the remaining 35%

Benefits of the deal

TUBACEX GROUP

- Improvement in TUBACEX competitive positioning getting closer to become a solutions provider
- Commitments and goals of the Strategic Plan are maintained
- Still allows additional growth operations
- The acquisition is part of Tubacex Commitment to accelerate its Strategic Plan

IBF GROUP

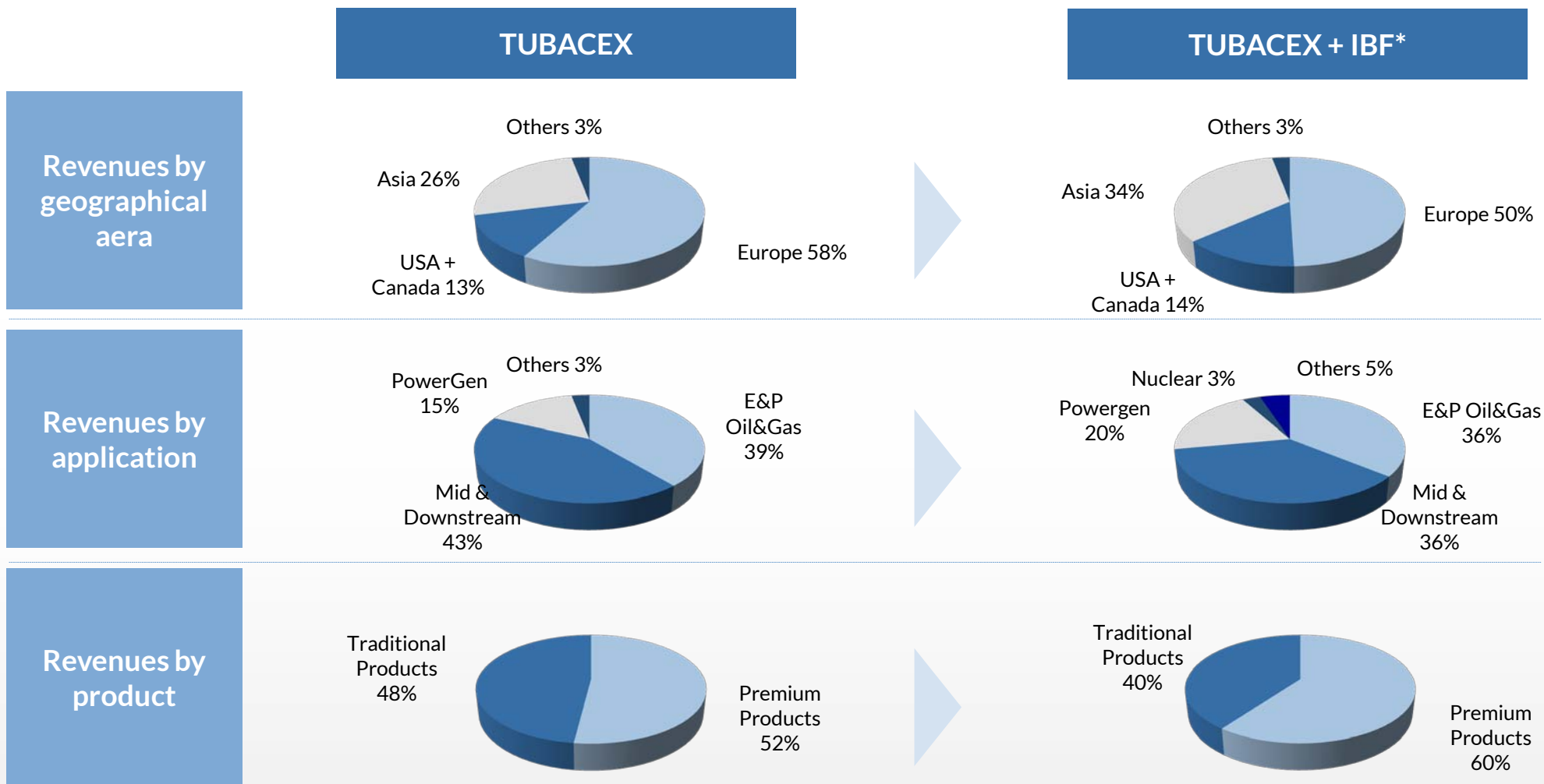
- Integration in a benchmark Group in the Oil&Gas sector
- Local management maintained but adding the potential of the TUBACEX Management Plan and Production System
- Potential improvement in results targeting an expected EBITDA of 20 €M with limited Capex

Fit with TUBACEX Strategic Goals



IBF acquisition fits 100% with Tubacex strategic goals

Impact on revenues



* Proforma 9M 2014 Revenues

Pro - forma financial figures 9M 2014

€M	TBX	IBF	TBX + IBF 9M 2014
Sales	400.0	125.4	525.4
EBITDA	49.0	10.6	59.6
EBITDA Margin	12.3%	8.4%	11.3%
EBIT	33.9	6.1	40.0
EBIT Margin	8.5%	4.9%	7.6%
EBT	25.2	4.8	30.0
EBT Margin	6.3%	3.8%	5.7%
Working Capital	210.1	72.5	282.6
Net Financial Debt	149.6	48.2	197.8*

Net Financial Debt Goal for 2015 <200 €M

* Excluding purchase price



**MANY THANKS FOR
YOUR ATTENTION**



WWW.TUBACEX.COM