



TUBOS
REUNIDOS
GROUP

Special Products & Integral Services Worldwide

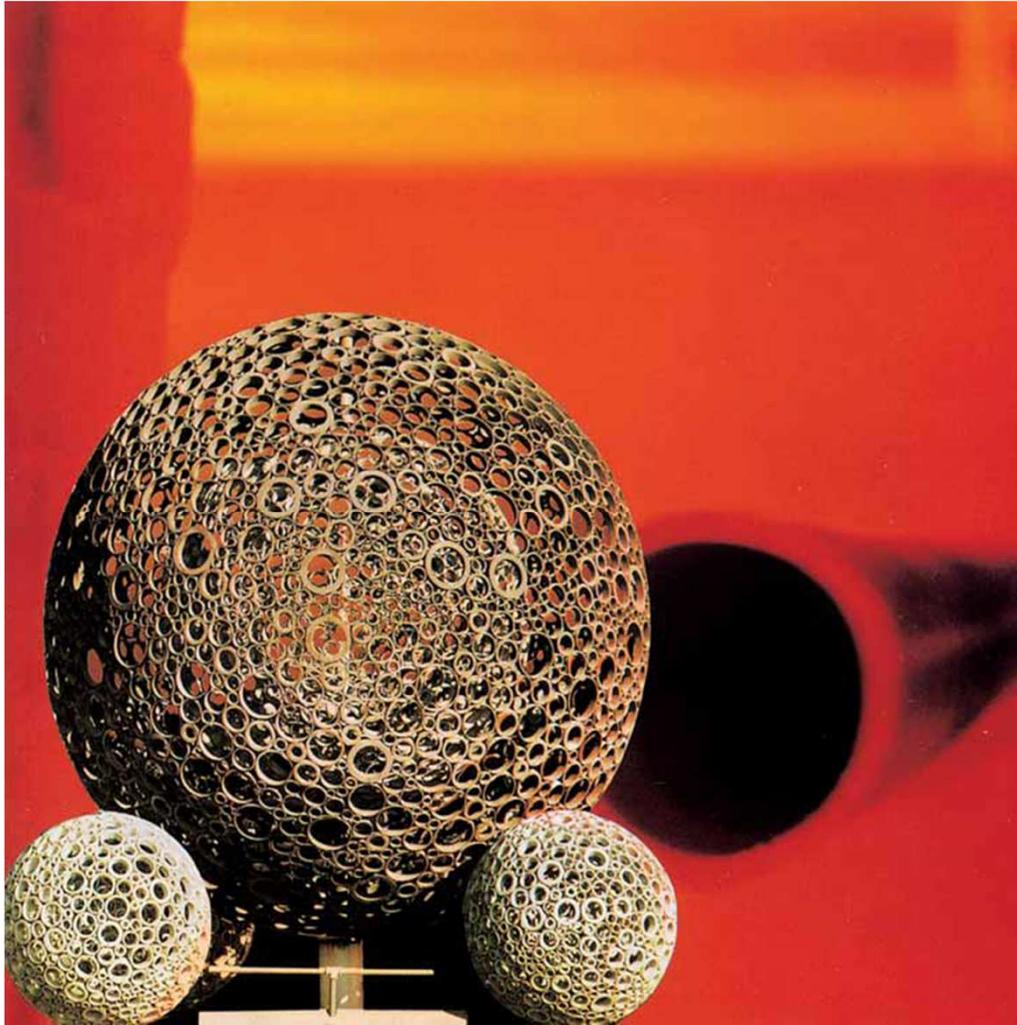
Tubos Reunidos

May 2015

Tubos Reunidos Group

1. Company Overview
2. Strategy
3. TR – MISI – JFE: Strategic Agreement
4. Financials

1. Company Overview



- **Seamless Steel tubes Company**
- **Global International Footprint :** 86% of Sales (2014)
- **Oriented to the Energy Sector:** 83% of Sales (2014)
- **Focus on Special Products:** 65% of Sales (2014)
- **Transformational Investment Plan Under Execution:** 150 Mill Eur 2012-2016 (65% completed)
- **Strategy: Specialization + Service + Competitiveness.** Current Strategic Plan 2014-2017: Towards a new Tubos Reunidos
- **Agreement with Marubeni-Itochu Tubulars Europe Plc. and JFE Steel Corporation announced** in November 27

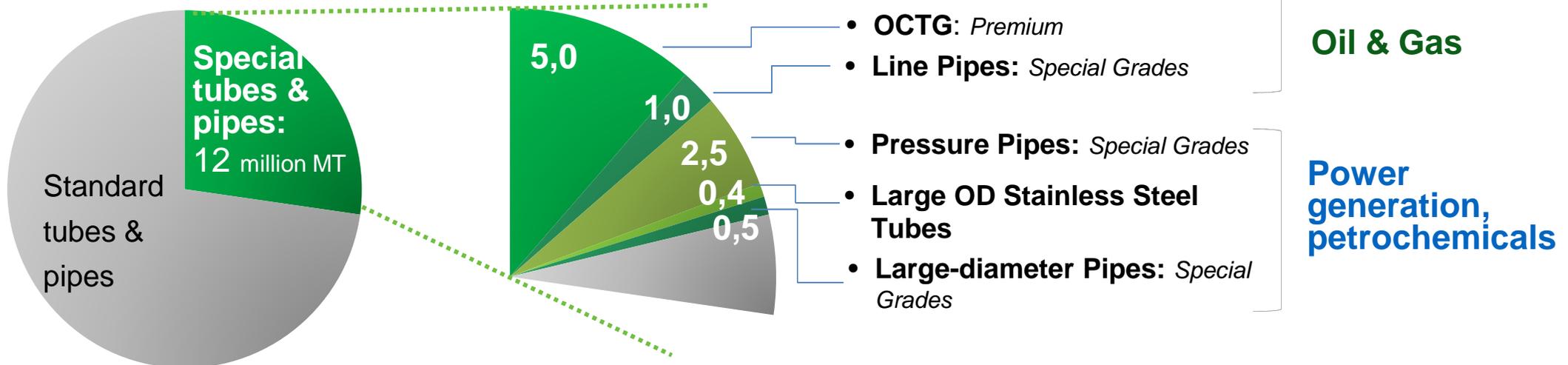
Global Demand for
Seamless Steel Pipes

44 million MT

Global Demand for TR's
market segments

9 million MT

Applications



**TR: - Focused on high end segments for the energy sector
- Brand name and differentiation**

Sector Trends

Seamless Steel
Tubes Market

Commodity Products

Special Products

Oil & Gas - Non-conventional oil & gas exploration technology

- Directional drilling, off-shore, shale-gas, deeper drilling

Power generation & Petrochemicals – Cutting-edge technologies

- Stringent safety requirements
- Maximum efficiency
- Power > 600 MW

High performance tubes and pipes:

- High corrosion
- Extreme temperatures
- Strong pressure
- More reliable
- Higher efficiency
- Lower maintenance

Premium OCTG tubes (2012-2018, MT)

+8%

Nuclear Plants (2012-2020, GWh installed)

+6%

Fossil fuel power plants (2012-2020, GWh installed)

+4%

Petrochemicals (2011-2018, MT)

+4%

Source: US EIA, : The Metal Bulletin Research. The Five Year Outlook for the Global OCTG Industry, 2013, Broker Share

CAGR

**TR: - Exposed to markets with high growth prospects
- Opportunity for sales increase and margin expansion**

Focused on Special and Niche Products

May 2015



OCTG Premium

Special service line Pipes

Large diameter Tubes

Stainless steel

Pressure Pipes, Boilers and Heaters

Oil & Gas

Power Generation and Petrochemicals

Exploration in extreme corrosion, pressure and temperature conditions

Offshore and special grades linepipes

Critical phases and cutting-edge technological processes



- Quenching and tempering
- High collapse
- High chrome alloys
- Proprietary steel grades
- Premium threads JV with MISI - 2016

- Quenching and tempering
- Sour service
- Special grades
- Offshore

- Tubes and pipes up to 25" OD and > 40 mm WT in special types of steel

- Tubes of > 8" OD in stainless steel up to 25" OD

- High chrome alloys
- Special lengths (up to 27 meters)
- Rifle tube

TR: - Wide portfolio of special products
- Based in own know how and R+D capabilities

Diversified Focused on Special and Niche Products

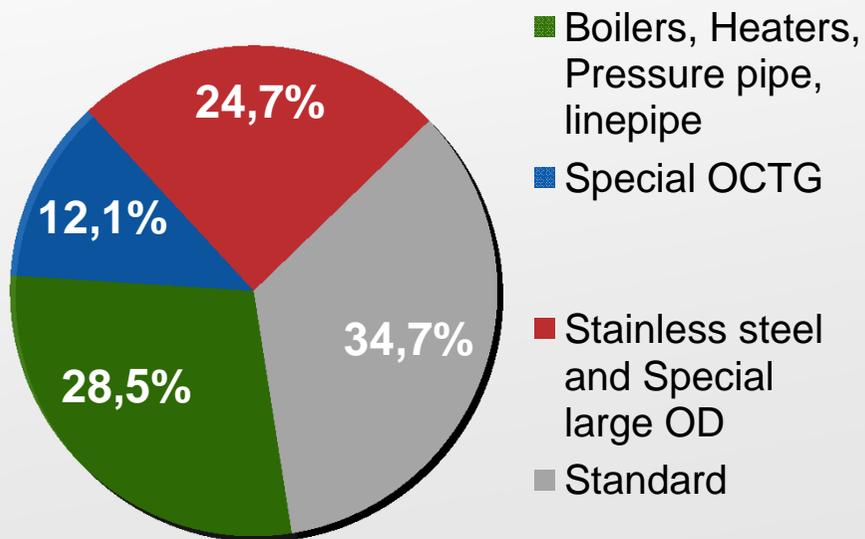
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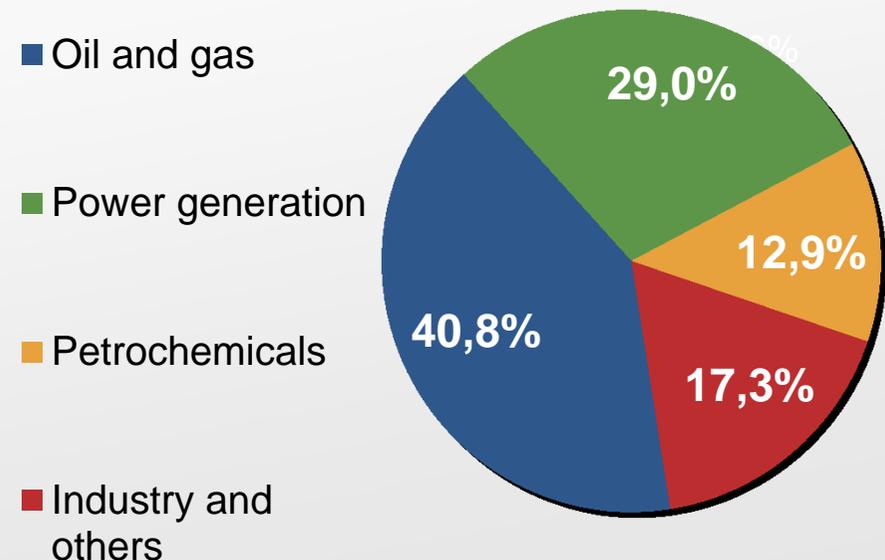
Sales breakdown by product, Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014

Sales breakdown by client, Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014

Special Products: 65% of sales (2014)



Energy Sector: 83% of sales (2014)



TR: - Diversified by products and market segments with a common commercial strength: quality and service

Manufacturing of a Wide Portfolio of Pipes

May 2015



- 325,000 MT production capacity
- Small and large size outside diameter tubes
 - Carbon, alloyed, high alloyed: 1/2"-25" (12mm – 635 mm)
 - Stainless steel tubes: 8"-25" (190 mm – 635 mm)
- Production sites located in the Basque Country (Northern Spain)
- Production process vertically integrated



Small and mid-size diameter tubes: up to 7"

- Diameter: 26.7 – 180 mm. (6-120mm upon cold-drawn).
- Thickness: 2.6 – 20 mm.
- Carbon, alloyed and high alloy. Manufactured at Tubos Reunidos Industrial



Large diameter Tubes: up to 25"

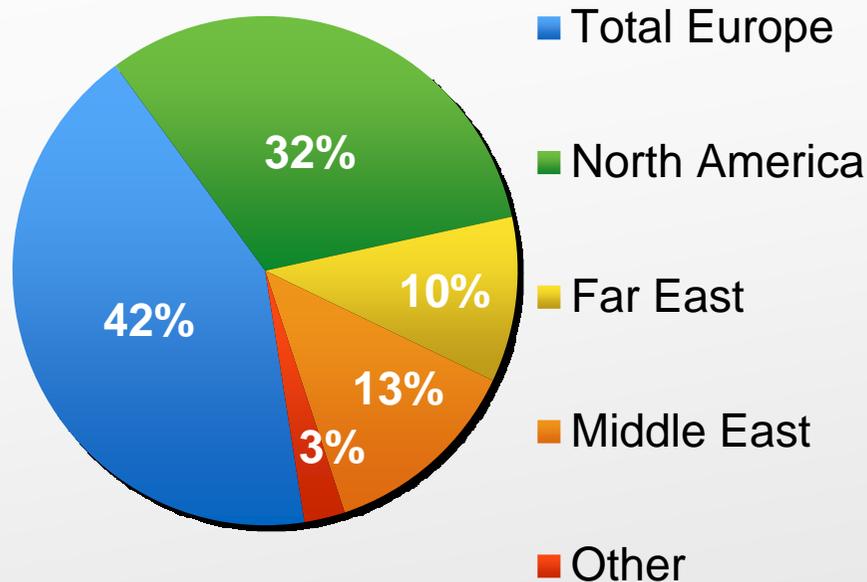
- Diameter: 190-635 mm.
- Thickness: 6.30 – 120 mm
- Carbon, high alloy and stainless.

Manufactured at Productos Tubulares



**TR: - Vertically integrated from scrap to finished pipes
- Flexible and efficient production processes**

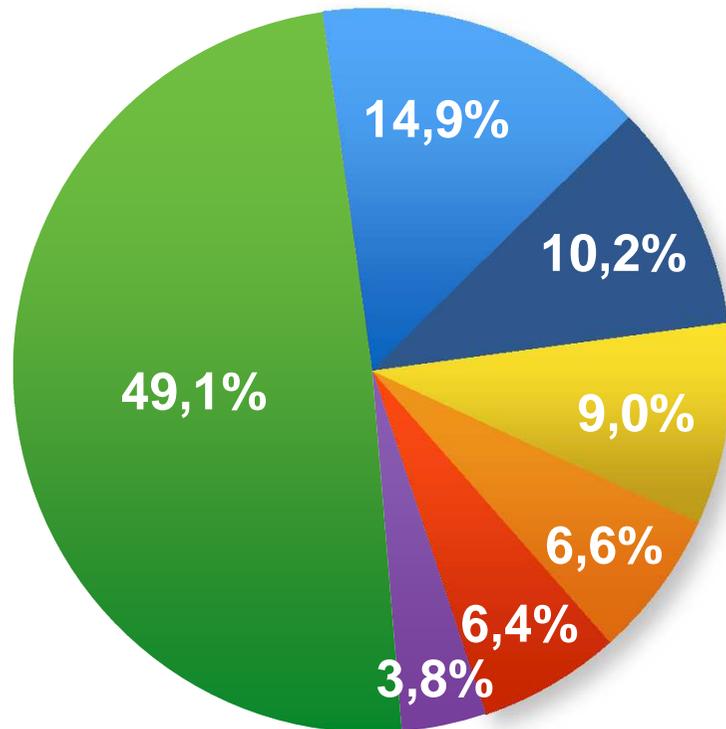
Sales Breakdown by Region, Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014



- **Historic worldwide presence**
- **86% of sales in international markets**
- **58% of sales out of Europe**

**TR: - Balanced geographic diversification
- Presence in major markets for energy applications**

Shareholder structure



- **BBVA**
- **Zorrilla Lequerica Family**
- **N+1 por QMC II Iberian Capital Fund (N+1 Asset Management)**
- **Ybarra Family**
- **Barandiaran Family**
- **De Miguel Nart**
- **Free Float**

2. Strategy

Towards a New Tubos Reunidos

1 Premium

From generalist manufacturers to...

2 Service

From flexibility and versatility to...

3 Competitive

From cost-efficient to...

4 Global

From geographically diversified to...

Specialist in Premium and niche products

Integrated Service Solutions

Structurally competitive

Global and local presence

TR: - Capturing growth opportunities to be a larger company offering Special Products & Integral Services Worldwide

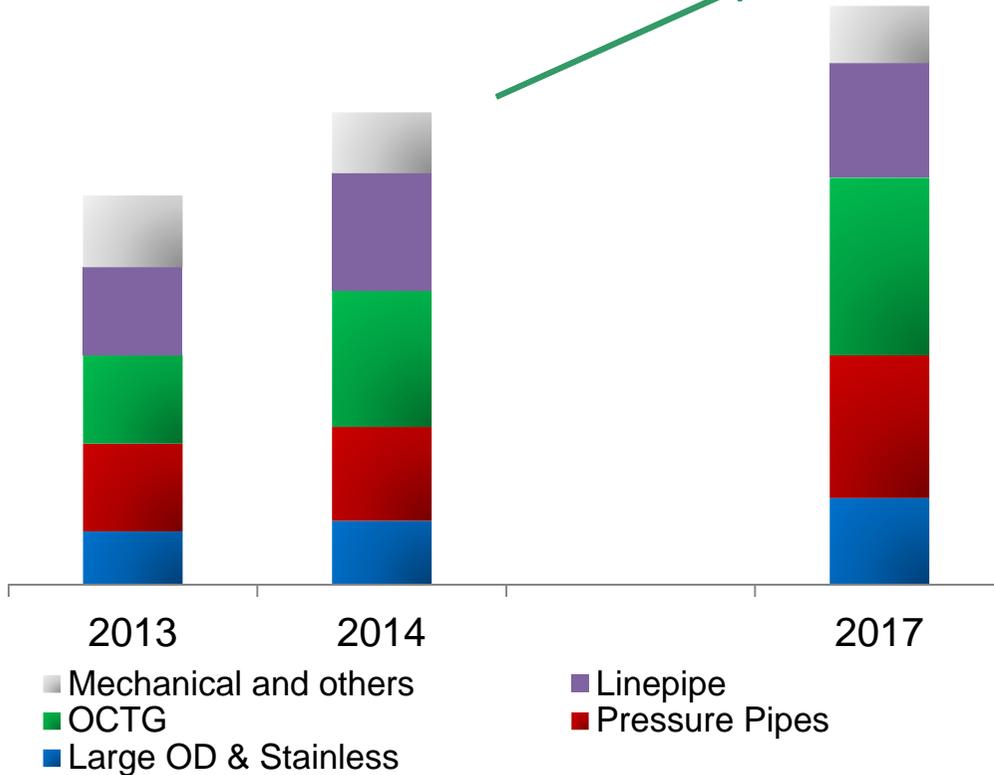
Sales volume increase

May 2015



+ Volume

MTs, Thousands

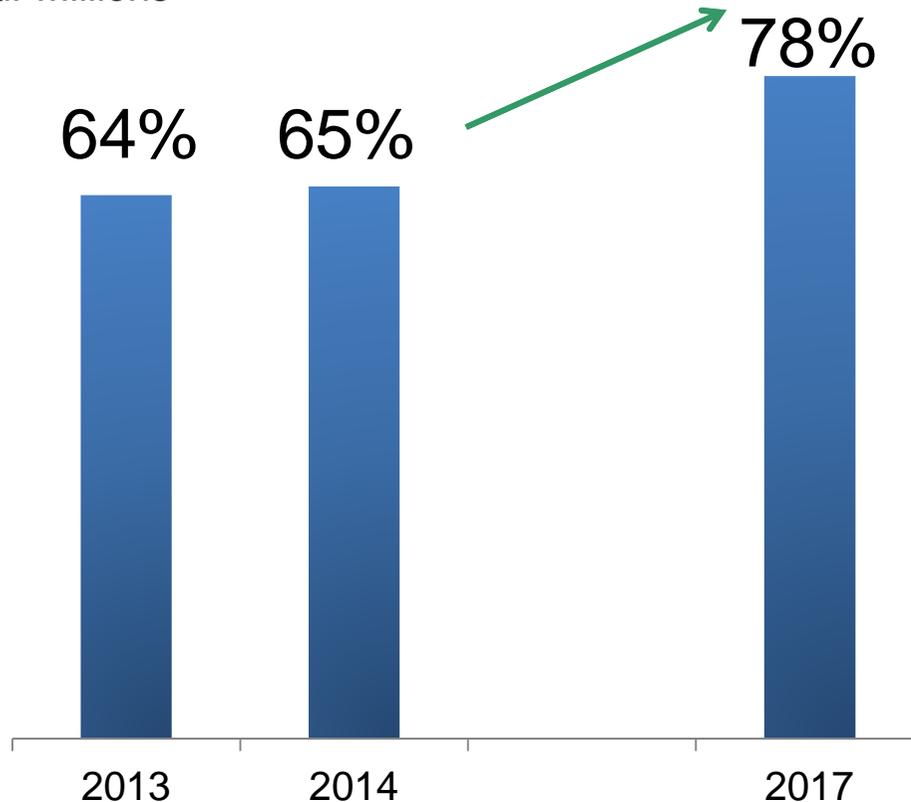


- + OCTG**
 - High demand from non-conventional technologies
 - TR's new high-added value products – investment program
 - TR's historic presence in the US – large growing market
 - Agreement with MITE – JFE: Stronger capabilities and geographic reach
- + Pressure Pipes – Power Gen & Petrochemicals**
 - Emerging countries development
 - Global replacement towards clean technologies
 - TR's new high value added products
- + Large OD and Stainless**
 - Strong competitive advantages and entry barriers for TR
 - Niche product - TR Group large market share
 - New special products since 2013
- + Service, + Competitiveness, + Global presence**

**TR: - Available capacity without capex requirements
- Main investments for new products already executed**

+ Better mix

Eur Millions

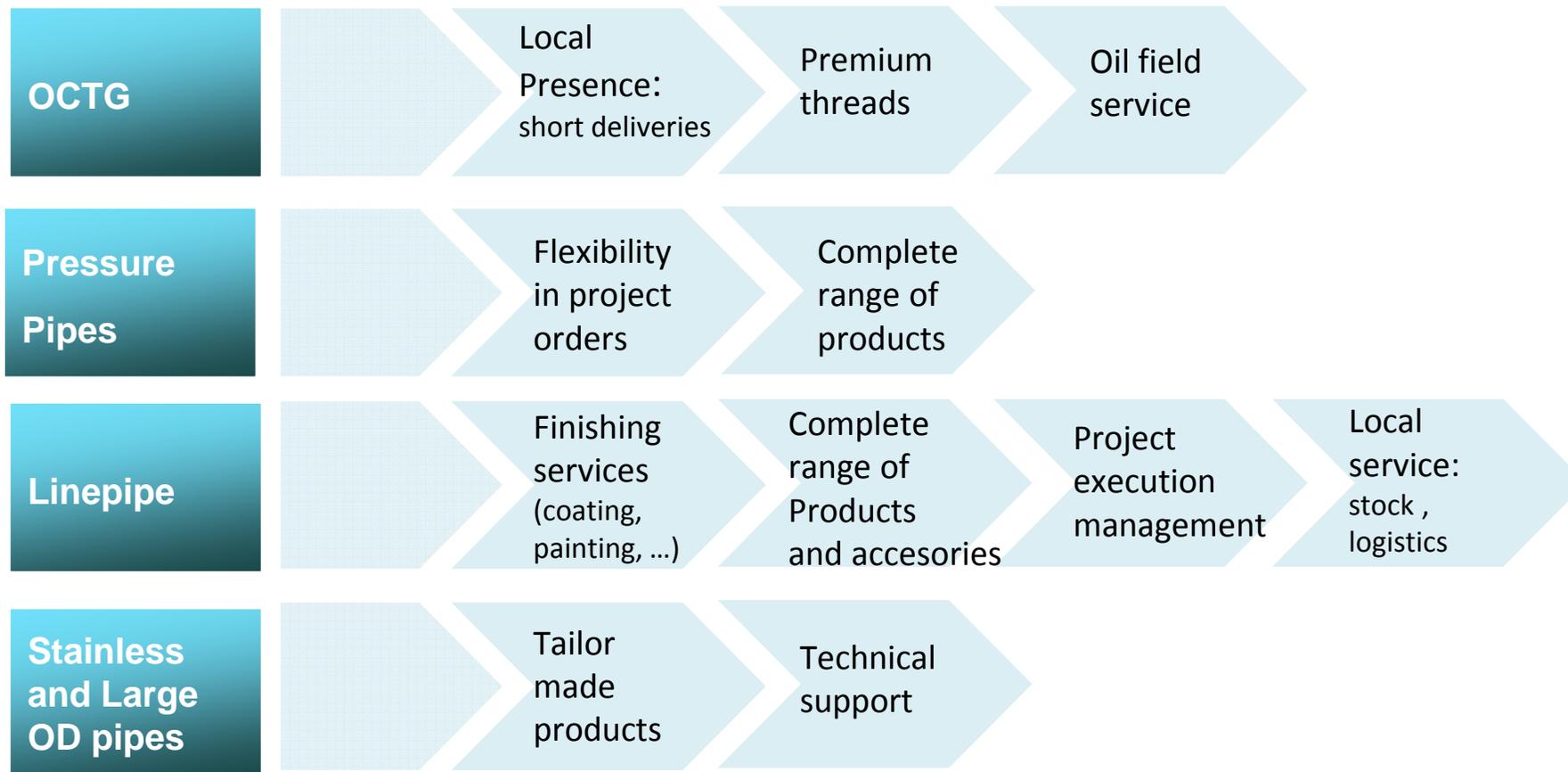


Sales and technology strategy focused on higher added-value products: in high-growth, high-return segments

- Heat treated tubes and pipes
- High alloy steels
- Cleaner steels
- OCTG products with Premium threads
- Special large OD tubes and pipes
- Larger portfolio of Stainless Steel tubes

TR: - Most new high value added products already developed and industrialized

Product + Service: Integrated Solutions



TR: - Moving up the value chain to be closer to clients
- First steps taken: Almesa, MISI JV, Commercial agreements

**From efficient, with
a management
model based on cost
streamlining...**



**To
structurally
competitive**



- Innovation in more competitive processes:
 - In house steel production
 - Elimination of bottlenecks
- Operational excellence
- Offshoring of parts of the productive process and selected acquisitions to drive competitiveness gains

TR: - Room for efficiency and productivity gains getting insight from the new production processes

Percentage of revenue in € in 2013, 2014 and objective for 2017

30% -> 32% -> 35%

+ USA & Canada

- High investments in oil & gas 2012-2035
- Shale gas revolution
- TR boasts entrenched positioning, with new products and capabilities
- TR increasing local presence

45% -> 42% -> 35%

- Europe

- Consumption recovering from lows of 2012-2013 (-44% vs. 2007) although lower growth than in other geographies
- Entrenched leadership with new products

25% -> 26% -> 30%

+ Asia and Latam

- Emerging countries development
- Positioning in high value-added segments
- TR agreement with MISI and JFE.
- New Almesa (Service unit) strategy of growth in Africa, Asia and Latinoamerica
- Opportunities in México: energy reform.
- New delegations opened in Dubai, Malaysia and Mexico

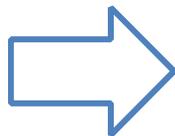
**TR: - Expanding commercial capabilities: new delegations
- Developing new channels**

Commercial Agreements + JV Alliances + Corporate Transactions:

leveraging on TR's competitive advantages including brand name and technical capabilities. MISI JV for Premium OCTG as first step in TR's corporate development strategy

- TR announced an agreement on November 27 2014 with Marubeni-Itochu Tubulars Europe Plc (MITE), the UK subsidiary of Marubeni-Itochu Steel Inc. for the purpose of manufacture, market and supply OCTG products, with JFE Premium connections, for oil and gas drilling worldwide. This agreement allows TR:

- **Strengthen commercial reach** and guarantee route-to-market for its new Premium OCTG products
- **Increase exposure to emerging markets**
- **Move up in the value chain towards Service Solutions** to clients including own finishing capabilities, Premium connections and Oil&Gas field service centers



With limited capex and cost structure requirements



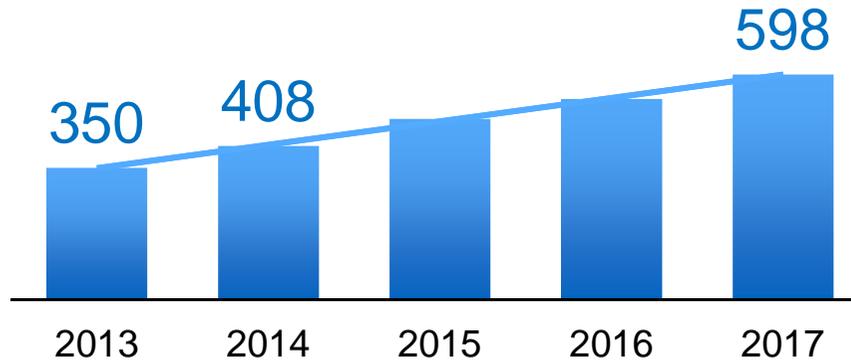
TR: - Corporate transactions aligned with the strategy
- Capital allocation driven by return on capital maximization

Quantitative Objectives Strategic Plan 2014-2017

May 2015



Consolidated
revenue,
€ million

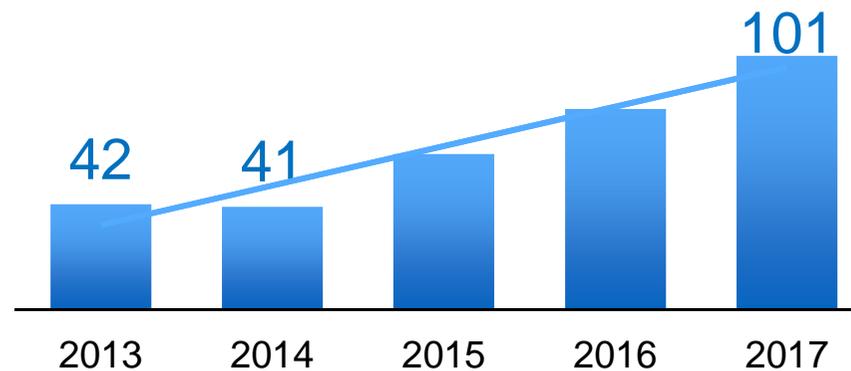


2013 - 2017

1.7x

› Growth in all segments:
seamless tubes,
distribution and automotive

Consolidated
EBITDA,
€ million



2.4x

› Revenue growth +
margin expansion

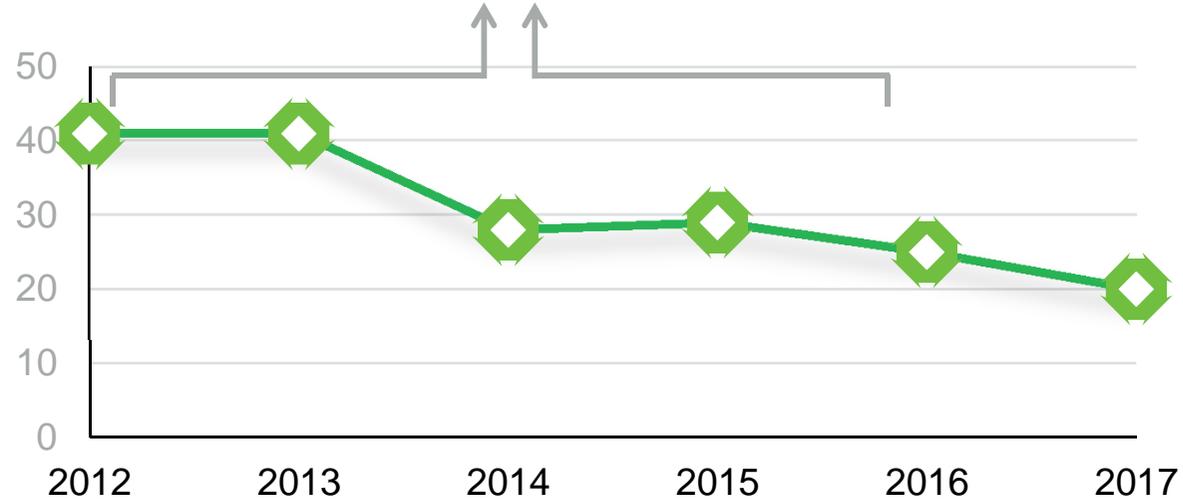
Quantitative Objectives 2014-2017

May 2015

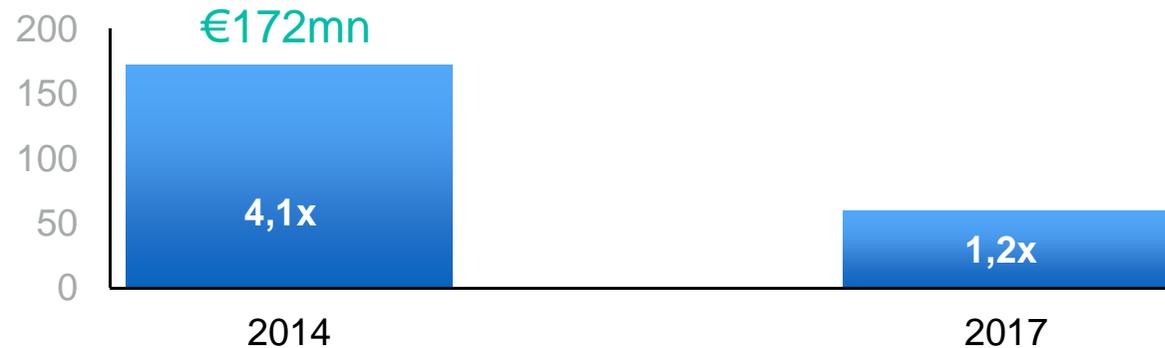


Consolidated
Capex,
€ million

Transforming Investment Plan 2012-2016: €150mn



Leverage



Cash flow generation expected to drive significant reduction in leverage without having to jeopardize the capex programme or dividend policy

3. TR – MISI – JFE: Strategic Agreement

TR – MISI – JFE: Complementary Strategies

- Created in **October 2001**
- **Divisional merger** by spinning off the **steel business** divisions of **two major general trading companies**
- **9.500 employees** approx.
- **Sales: EUR 13,800 Mn.** approx.
- **Pipes distribution Capacity:** almost 3 Mn., specialized in OCTG and line pipe

- Result of the **merger of NKK and Kawasaki Steel in 2003**
- One of the **world's leading integrated steel producers** (31 Mn. MT/Year)
- **42.481 employees**
- **Sales: EUR 27,300 Mn.** approx.
- Pipes production capacity: 1.5 Mn Tons approx. (350.000 Tons seamless)
- Focused on **stainless and high alloy**
- **Own Premium Connections:** 5th worldwide leader
- **Global Technical & Services Network**

Manufacturing Tubes:
320.000 Tons capacity



Worldwide Distribution capacity:
Strategic Agreements with suppliers

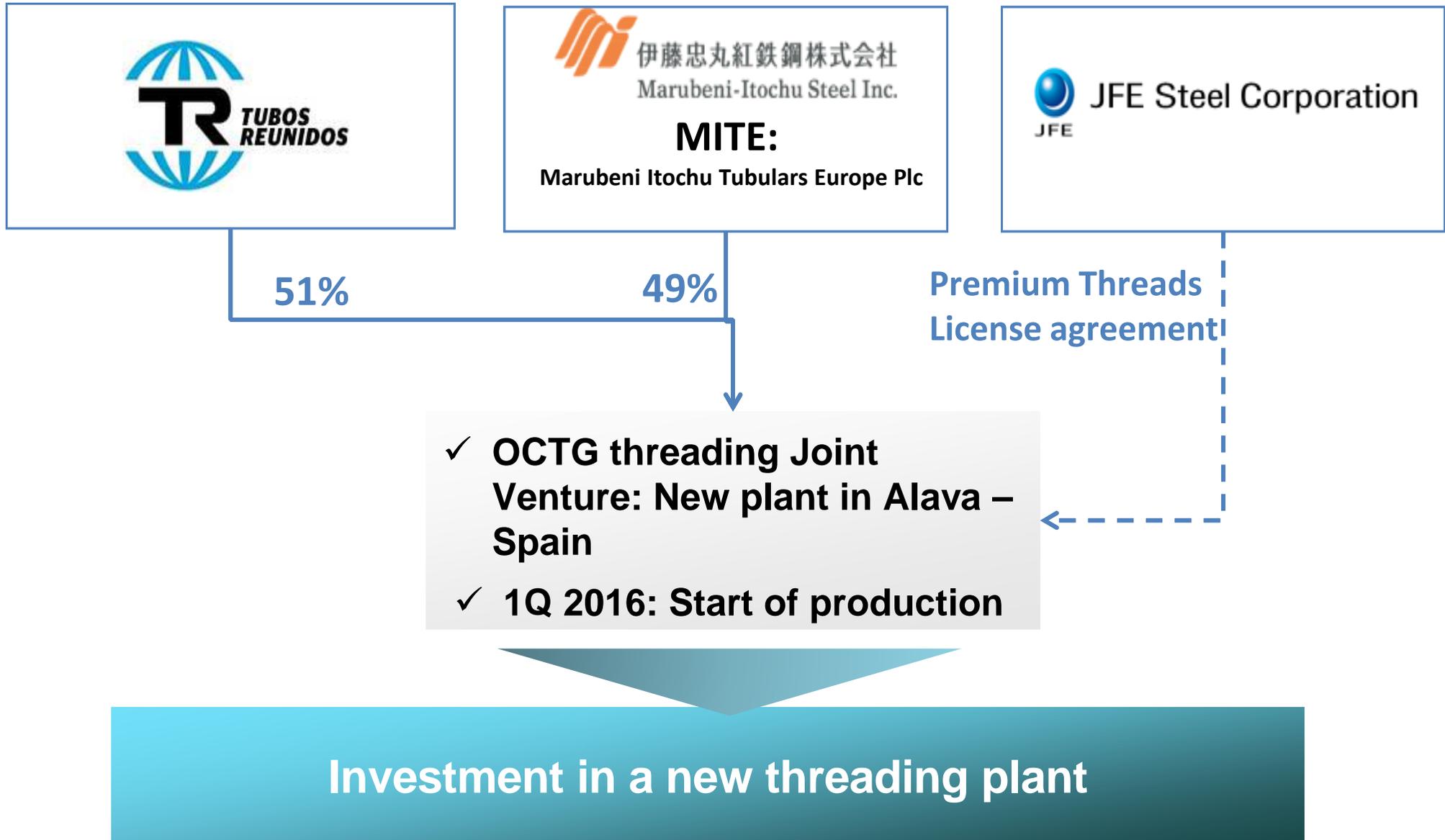
**Agreement,
Nov. 2014**



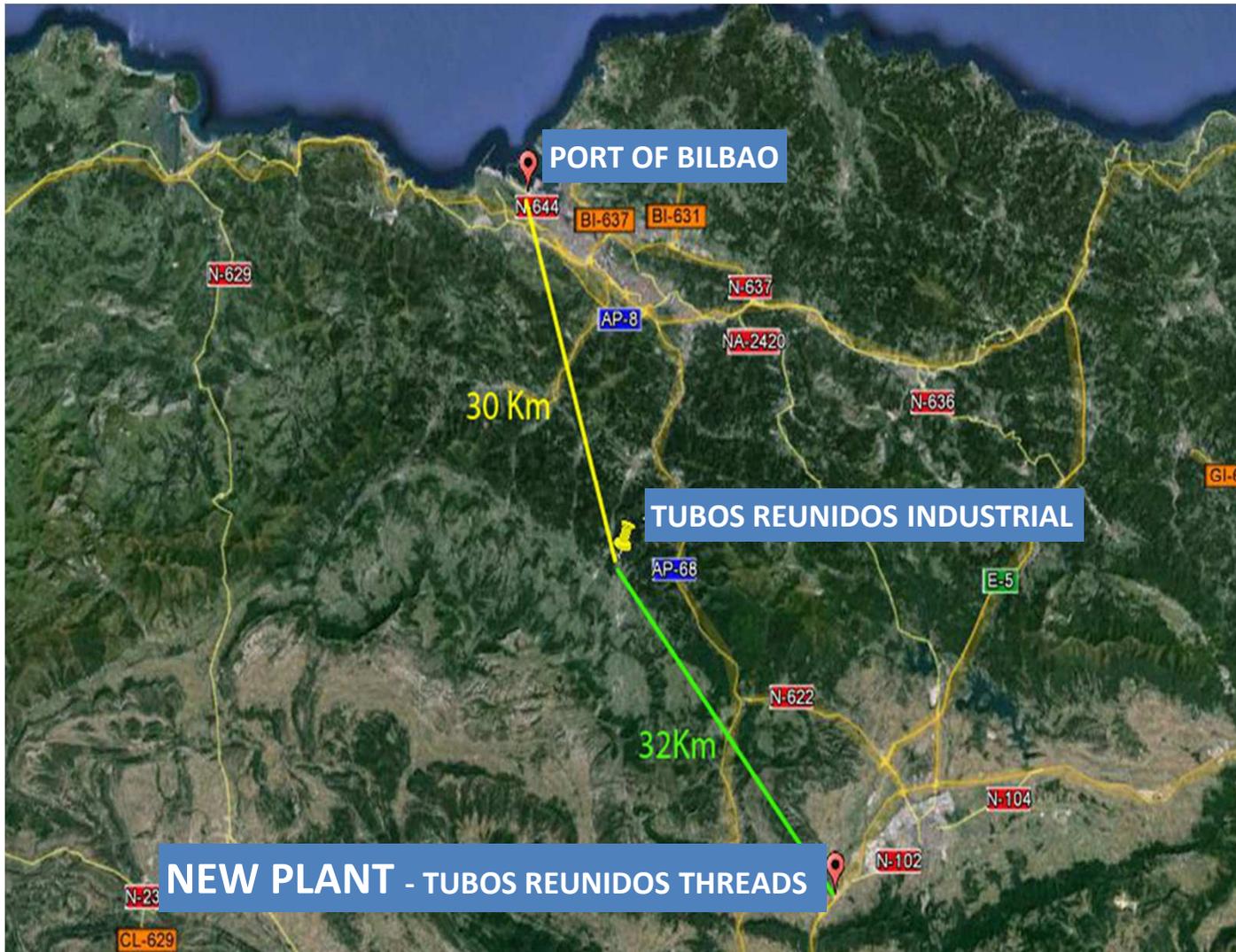
JFE Steel Corporation

Premium Connections

Manufacture, market and supply of Premium OCTG worldwide



Subillabide – Alava



- ✓ **New Plant for threading**
- ✓ **Logistically located for global geographical reach**
- ✓ **30 Million Euros Investment and 80 employees in the first phase of the project**

OCTG Premium Integrated Solutions to Final Clients

Premium pipes
manufacturing &
supply

Premium
Connections
threading

Commercialization :
Global One Stop
Shop Offer

Service

- ✓ **TR:** 120 years manufacturing pipes. New investments & I+D+i
- ✓ **MISI** market knowledge on most demanded products

- ✓ **JFE** Premium thread license & technology
- ✓ **TR – MISI** Joint Venture: technical & market knowledge

- ✓ **MISI + TR + JFE** commercial networks & brand name
- ✓ **MISI** complete range of products for OCTG

- ✓ **MISI + TR + JFE** quality
- ✓ **MISI + JFE:** Field service centers, JFE licensees network

Building an alternative and differentiated offer

- TR – MSI – JFE agreement announced on November 27 2014, was contemplated among the actions envisaged in TR's Strategic Plan 2014-2017
- The impact of the agreement in CAPEX, sales, margins and results of TR are therefore included in the financial projections and objectives of the plan
- The transaction supports strategic plan giving higher visibility to its successful execution

Strategic Plan Objectives

- **Product Mix Improvement**
- **Sales Volume Increase based in new products & competitiveness**
- **Service**
- **Geographic growth and diversification**

TR – MSI – JFE alliance

- ✓ **Focused on Premium OCTG Products**
- ✓ **Partners commercial reach, technical and market knowledge**
- ✓ **Partners' Service centers worldwide**
- ✓ **Higher capabilities to access to new geographic markets**

Reinforcing OCTG capabilities and market reach

May 2015



Strategic Plan - OCTG

- Increase OCTG sales
- Mix improvement
- Threading capabilities
- Geographic diversification

TR – MISI - JFE

- ✓ Obtain own threading capabilities
- ✓ Premium Connections for TR's pipes
- ✓ Stronger capabilities to our current markets
- ✓ Access to new geographic markets outside of USA
- ✓ Knowledge and technical support for further develop new products

TR – MISI – JFE: Stronger capabilities in OCTG

4. Financials

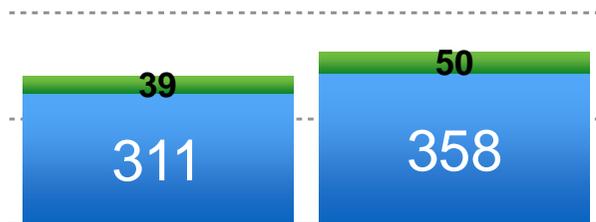
Consolidated figures: 2014 (Eur Million)

May 2015



Sales

350 → 408
+16,4%



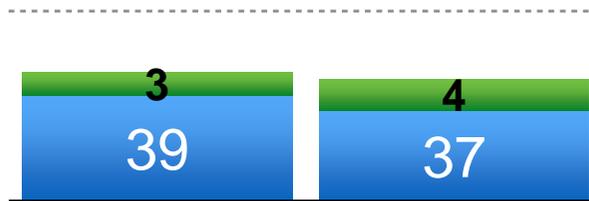
2013

2014

■ Seamless Steel Tubes ■ Automotive business + others

EBITDA / sales

42 → 41
12,1% → 10,1%
-2,0%

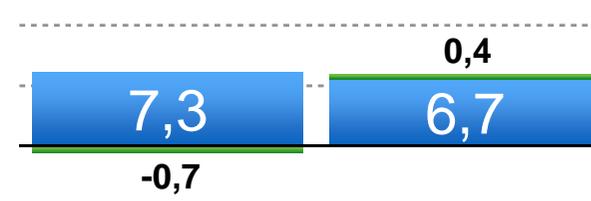


2013

2014

Net Profit

6,6 → 7,1
+6,6%



2013

2014

- Core business accounted for 88% of consolidated sales and 89% of consolidated EBITDA
- **Increase in consolidated sales** supported by the widest high value added range of products offered by the Group following investments made in 2012-2014

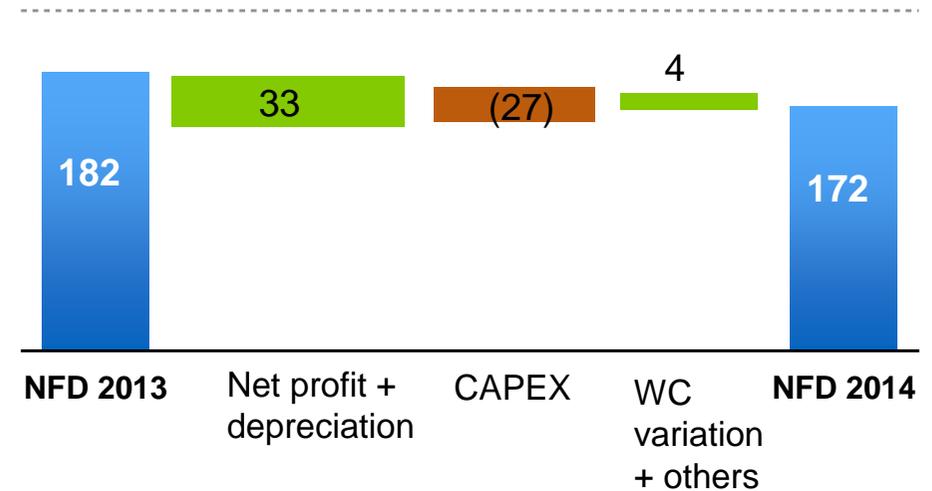
- **Margin impacted by:**
 - Competitive environment
 - Learning curve of new production processes and product mix

Main Figures 2014 (Eur Millions)

	2012	2013	2014
<i>Total Investments</i>	41	42	27
<i>Seamless Steel Tubes</i>	35	39	23
<i>Depreciation</i>	27	25	26

✓ **65% of total investment plan** 2012-2016 of 150 Eur millions already executed

- Commissioning and development of new own production processes
- Industrialization of the new high valued added portfolio of products
- Adaptation to own manufacturing of high value added steels, dimensional ranges and products
- New facilities for special finishing treatments



- Reduction of net financial debt by 10 Eur million
- Working Capital improvements

Consolidated Group Financials, 2014 (Eur Millions)

May 2015



INCOME STATEMENT, Thousands of Euros	Q4 2014	Q4 2013	Q4 2014 / Q4 2013	FY 2014	FY 2013	2014 / 2013
Revenue	108.064	87.585	23%	407.952	350.451	16%
Changes in inventory	14.559	10.711		18.993	1.963	
Supplies	(66.512)	(47.802)		(217.285)	(161.781)	
Personnel expenditure	(25.750)	(25.586)		(101.296)	(95.952)	
Other operating expenses	(27.236)	(21.533)		(86.254)	(77.819)	
Other operating income and net gains/(losses)	7.162	9.546		19.263	25.375	
EBITDA	10.287	12.921	(20%)	41.373	42.237	(2%)
Depreciation and amortisation charge	(6.543)	(5.851)		(26.361)	(24.686)	
EBIT	3.744	7.070	(47%)	15.012	17.551	(14%)
Financial income/(expense)	(2.674)	(4.333)		(8.827)	(11.429)	
Profit before income tax	1.070	2.737	(61%)	6.185	6.122	1%
Profits tax	1.125	(456)		1.266	49	
Consolidated profit for the period	2.195	2.281	(4%)	7.451	6.171	21%
Profit from minority interests	(195)	(64)		(372)	472	
Profit for the period	2.000	2.217	(10%)	7.079	6.643	7%

BALANCE SHEET, Thousands of Euros	Q4 2014	Q4 2013
NON-CURRENT ASSETS	417.639	411.801
Inventories and customers	215.481	191.258
Cash and other cash equivalents	24.464	25.798
CURRENT ASSETS	239.945	217.056
Assets held for sale	4.599	4.836
TOTAL ASSETS	662.183	633.693
NET EQUITY	260.936	246.037
DEFERRED REVENUES	12.469	10.946
Non-current provisions	3.622	15.183
Bank borrowings and other financial liabilities	155.640	169.054
Other non-current liabilities	51.548	55.656
NON-CURRENT LIABILITIES	210.810	239.893
Short-term provisions	8.249	6.997
Bank borrowings and other financial liabilities	40.436	38.568
Other current liabilities	129.283	91.252
CURRENT LIABILITIES	177.968	136.817
Liabilities held for sale	--	-
TOTAL LIABILITIES	662.183	633.693
Net financial debt	171.612	181.831

Consolidated figures: 1Q 2015 (Eur Million)

May 2015



Consolidated ('000 EUR)	Q1 2015	Q1 2014	% var
Revenue	102.592	98.278	4,4%
EBITDA	11.114	12.616	(11,9%)
<i>% sales</i>	<i>10,8%</i>	<i>12,8%</i>	
EBIT	3.288	5.251	(37,4%)
EBT	2.414	2.586	(6,7%)
Net Income	1.703	2.304	(26,1%)

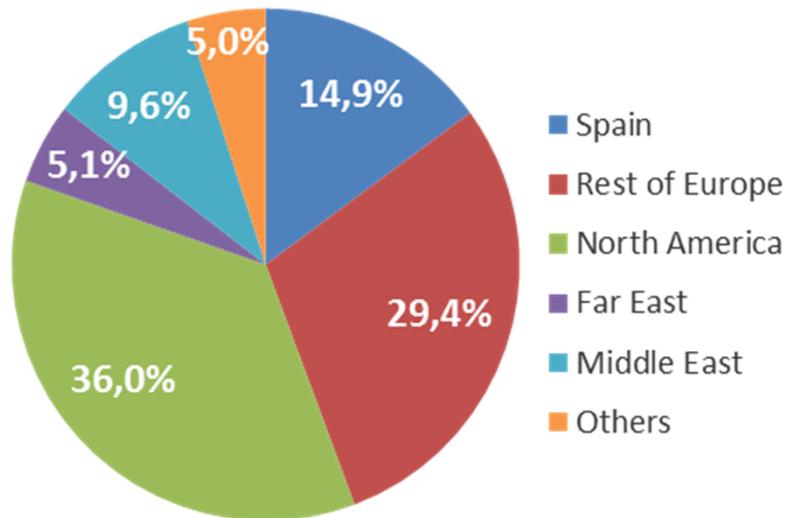
- Consolidated sales in Q1 remain positive supported by strong backlog at 31st December 2014
- Increased sales and sustained activity in the energy-generation and petrochemical segments
- Positive effect of stronger USD vs Euro
- New orders and margins initially impacted by the effect of falling oil prices with a reduction in oil and gas drilling activities in North America and the consequent reduction in the use of capacity in the Group to adapt to the level of activity in OCTG

Consolidated figures: 1Q 2015 (Eur Million)

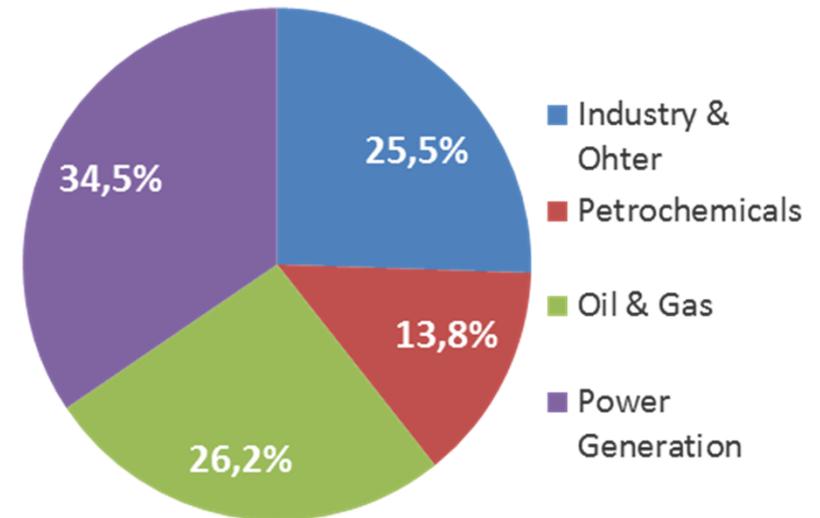
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Sales by geographic market, % in millions of Euros



Sales by Sector, % in millions of Euros



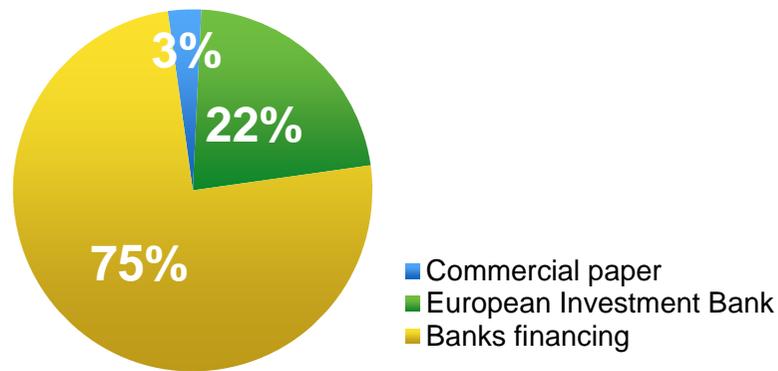
- Sales of seamless tubes supported by the energy generation and petrochemical sectors, going from 31,3% and 19,1% in the first quarter of 2014 to 34,5% and 25,5% respectively in the first quarter of 2015
- Europe (44,3% of sales vs. 40,5% in the same period of 2014): 2% sales increase supported by the domestic market
- North America (36% of sales vs. 28,6% in the same period of 2014): 18% increase in sales, counting with significant backlog of OCTG and large diameter tubes at December of 2014 as well as positive impact of stronger USD
- Middle East (9,6% of sales vs. 11,5% in the same period of 2014): Inventory reductions in the region
- Far East (5,1% of sales vs. 18,5% in the same period of 2014): Delays in the award of projects

Estructura Financiera, (Eur Million)

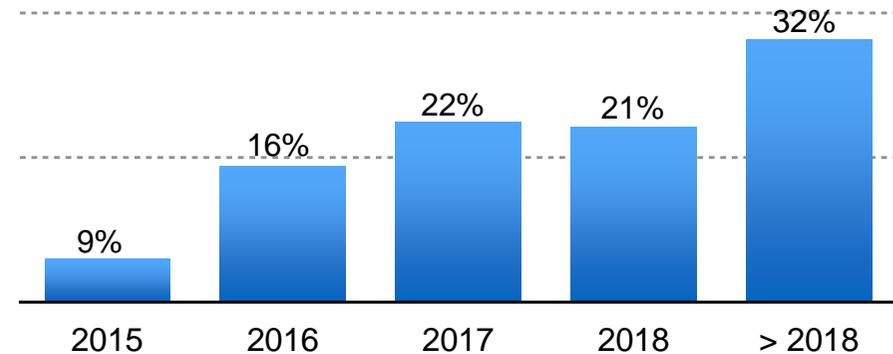
May 2015



Financial Structure, Gross Debt
31/03/2015



Debt maturity, % over total gross debt



- Solid long term financial debt structure: 79,3% of gross borrowing at 1Q 2015 with a maturity date of over twelve months
- Strengthening of the financial structure and optimization of the financing conditions of the Group during 2014 and 1Q 2015
- Lines of credit secured but not drawn down stand at 71 million euros

Consolidated Group Financials, 1Q 2015, (Eur Million)

May 2015



INCOME STATEMENT, Thousands of Euros	Q1 2015	Q1 2014	Q1 2015 / Q1 2014
Revenue	102.592	98.278	4%
Changes in inventory	4.822	10.715	
Supplies	(47.686)	(52.065)	
Personnel expenditure	(29.491)	(27.411)	
Other operating expenses	(21.904)	(19.623)	
Other operating income and net gains/(losses)	2.781	2.722	
EBITDA	11.114	12.616	(12%)
Depreciation and amortisation charge	(7.826)	(7.365)	
EBIT	3.288	5.251	(37%)
Financial income/(expense)	(874)	(2.665)	
Profit before income tax	2.414	2.586	(7%)
Profits tax	(393)	(192)	
Consolidated profit for the period	2.021	2.394	(16%)
Profit from minority interests	(318)	(90)	
Profit for the period	1.703	2.304	(26%)

Consolidated Group Financials, 1Q 2015, (Eur Million)

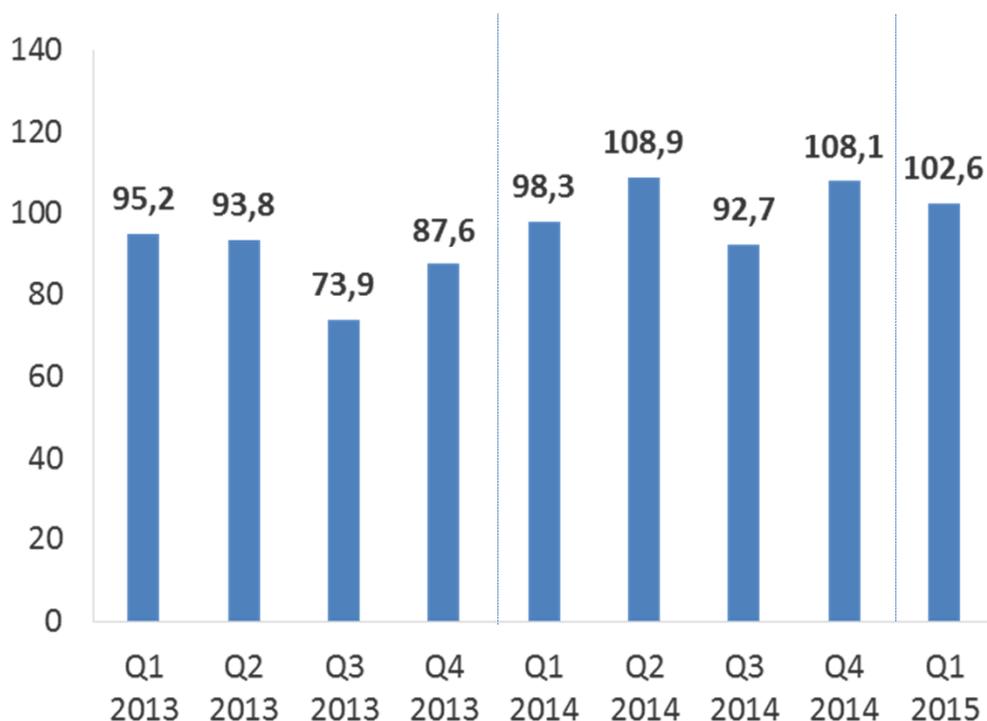
May 2015



BALANCE SHEET, Thousands of Euros	Q1 2015	Q4 2014
NON-CURRENT ASSETS	421.053	417.639
Inventories and customers	219.687	215.481
Cash and other cash equivalents	25.345	24.464
CURRENT ASSETS	245.032	239.945
Assets held for sale	4.347	4.599
TOTAL ASSETS	670.432	662.183
NET EQUITY	263.519	260.936
DEFERRED REVENUES	11.854	12.469
Non-current provisions	4.118	3.622
Bank borrowings and other financial liabilities	159.748	155.640
Other non-current liabilities	61.250	51.548
NON-CURRENT LIABILITIES	225.116	210.810
Short-term provisions	7.356	8.249
Bank borrowings and other financial liabilities	41.693	40.436
Other current liabilities	120.894	129.283
CURRENT LIABILITIES	169.943	177.968
Liabilities held for sale	--	--
TOTAL LIABILITIES	670.432	662.183
Net financial debt	176.202	171.612

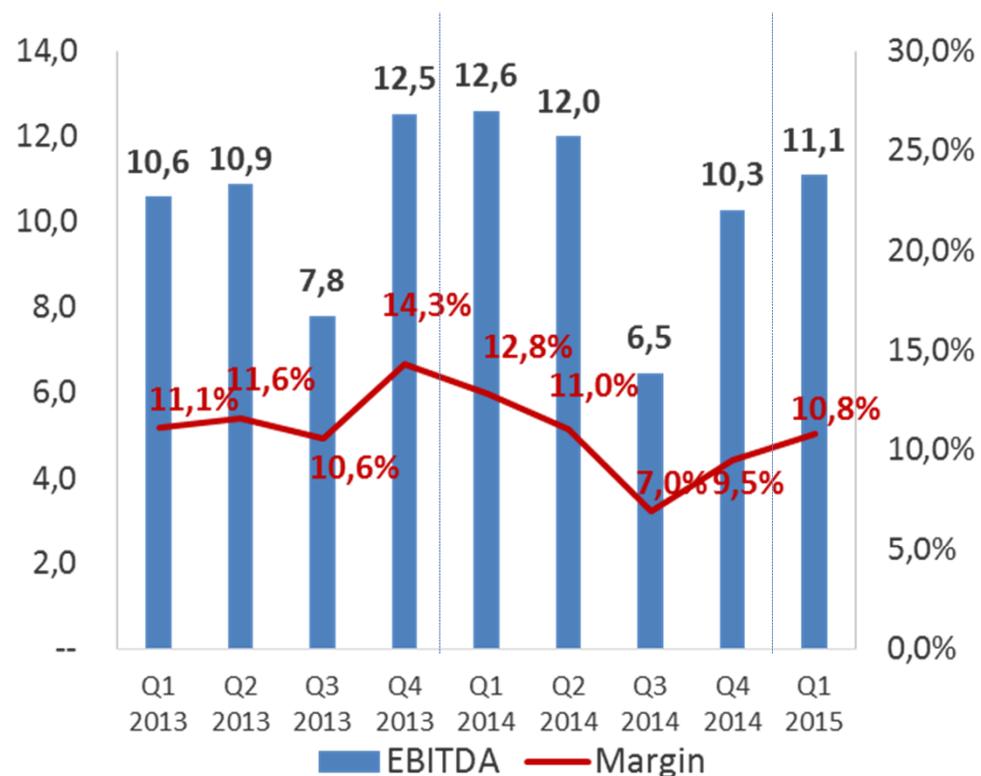
Consolidated Revenue

Millions of Euros



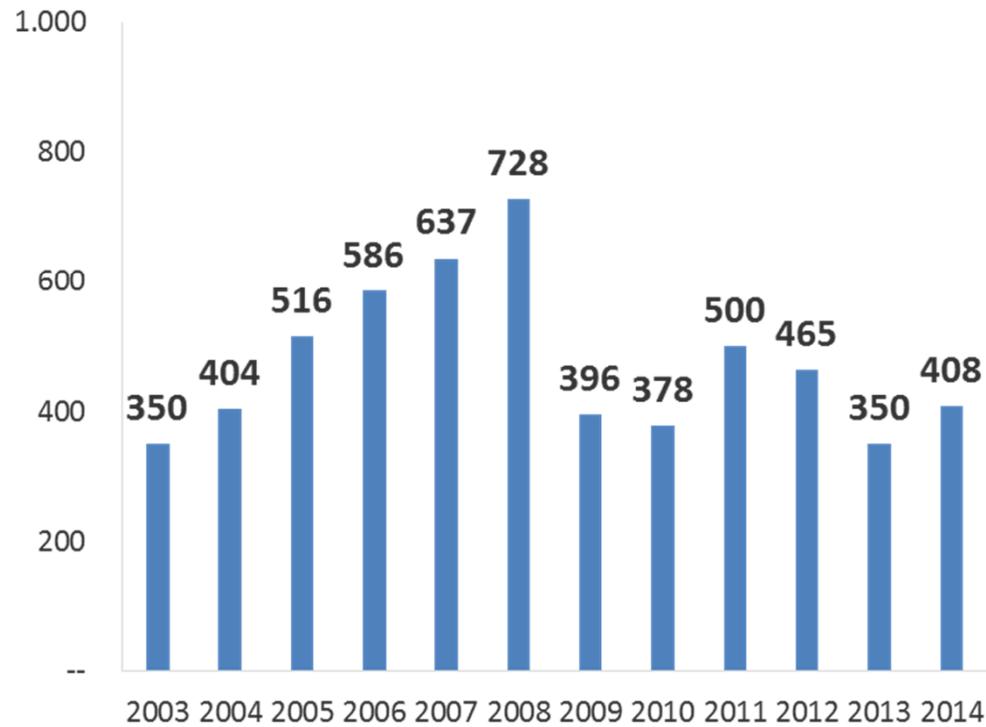
Consolidated EBITDA and EBITDA Margin

Millions of Euros; % of revenue



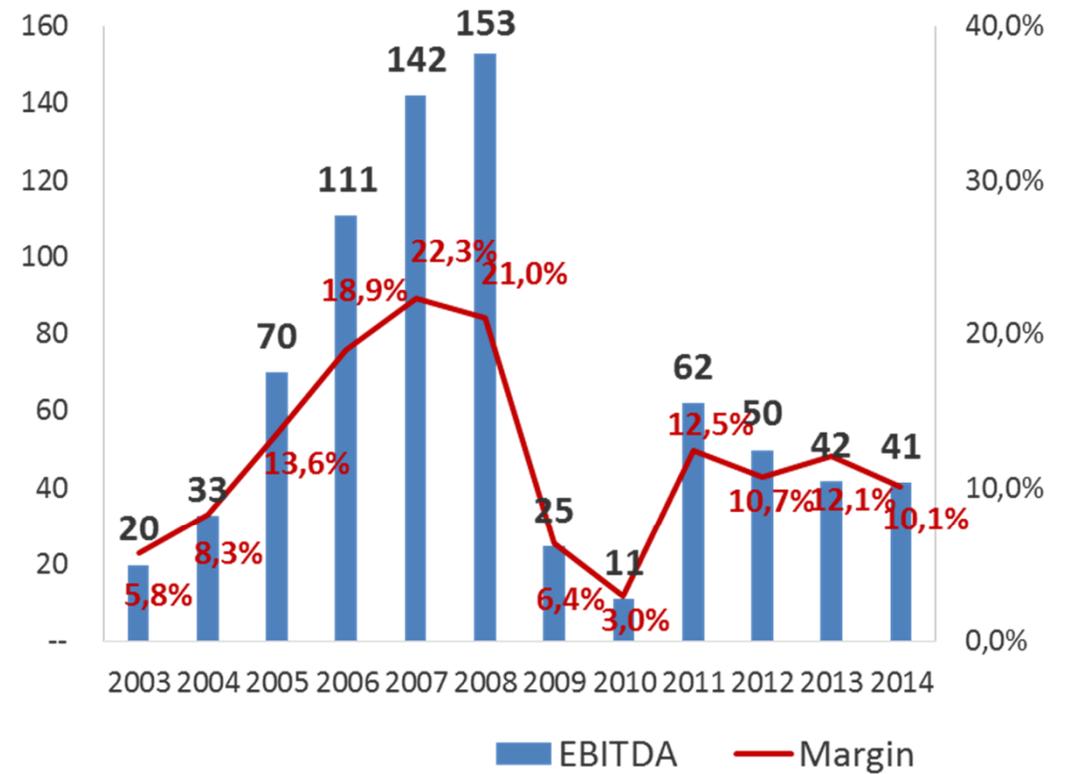
Consolidated Revenue

Millions of Euros



Consolidated EBITDA and EBITDA Margin

Millions of Euros; % of revenue





TUBOS
REUNIDOS
GROUP

Special Products & Integral Services Worldwide

Tubos Reunidos

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