



TUBOS
REUNIDOS
GROUP

Special Products & Integral Services Worldwide

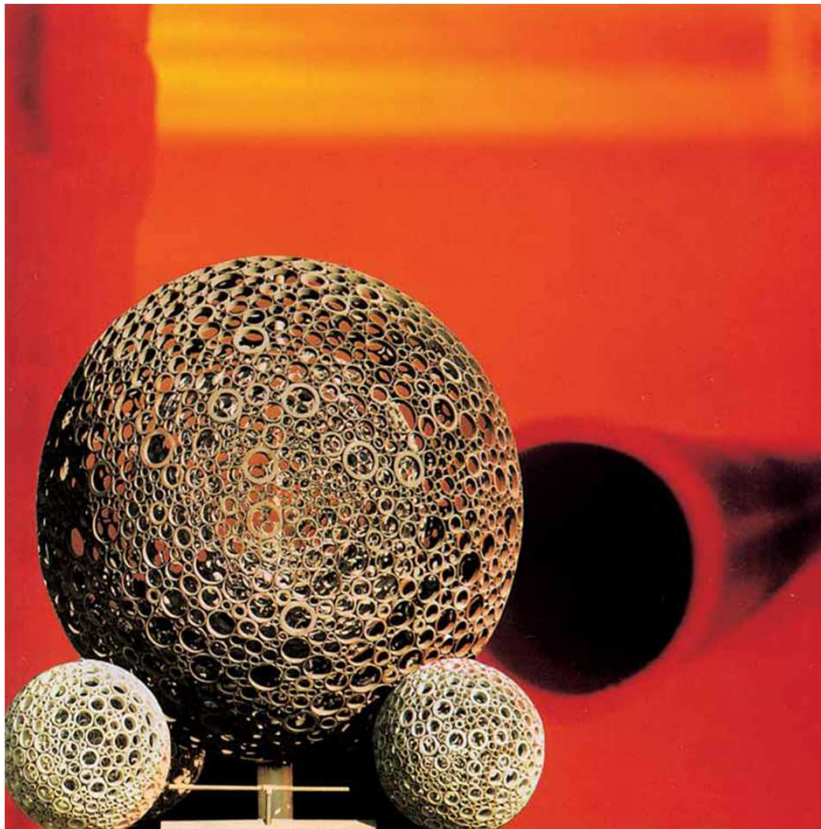
Tubos Reunidos

February 2015

Tubos Reunidos Group

1. Company Overview
2. 2014 – 2017 Strategic Plan
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**

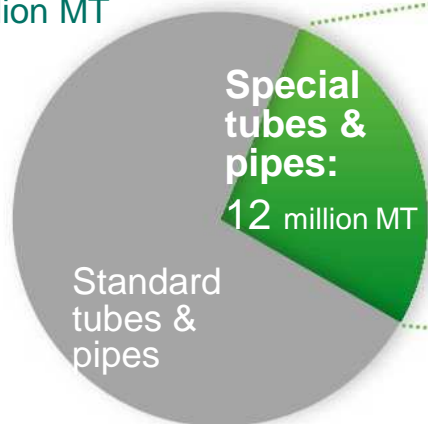
Tubos Reunidos Market

February 2015

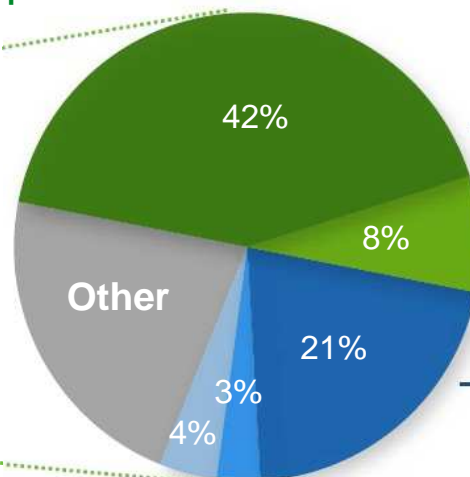


Global demand for seamless steel pipes, 2013

44 million MT



Special Seamless Steel Tubes, 12 million MT



- **OCTG:** Premium and Special Grades
- **Line Pipes:** Special Grades
- **Boilers, Heaters and Pressure Pipes:** Special Grades
- **Stainless Steel Tubes**
- **Large-diameter Pipes:** Special Grades

Uses

Oil & Gas

Power generation, petrochemicals


Tubos Reunidos is strategically focused on the specialty tubing segments (65%)* targeted at the energy sector (83%)*

* % of Tubos Reunidos' seamless steel tube (SST) sales FY 2014 in euro terms


Oil & Gas


- 
- **Non-conventional oil & gas exploration technology**
 - Directional drilling, off-shore, shale-gas
 - ▶ Deeper drilling wells
 - ▶ More corrosive environments
 - ▶ Extreme temperatures
 - Off-shore pipes

Need for tubing with more complex and high-performance specifications

- 
- ▶ Steels that are more resistant to corrosion, pressure and aggressive atmospheres (HPHT)
 - ▶ Tubes tailored to individual well characteristics
 - ▶ Premium threading

Power generation and petrochemicals

- 
- **New technologies:**
 - ▶ Larger-scale power generation facilities (> 600 MW)
 - ▶ Work cycles exposed to higher pressure and temperatures
 - ▶ More stringent safety requirements

- 
- ▶ Steels that are more resistant to corrosion, pressure and aggressive atmospheres
 - ▶ Greater range of tube diameters, lengths and thicknesses

New and more efficient technologies – Growing need for specialty tubing

Manufacturing of a Wide Portfolio of Pipes

February 2015



- 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)
- 325,000 MT production capacity
- 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



Seamless Steel Tubes Company

Focused on Special and Niche Products

February 2015



Large diameter Tubes

Stainless steel

Boilers, Heaters and Pressure Pipes

OCTG Premium and Special Grades

Special service line Pipes

Power generation and petrochemicals - Critical phases and cutting-edge technological processes

Oil and gas exploration in extreme corrosion, pressure and temperature conditions

Offshore and special grades linepipes



- 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

- 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

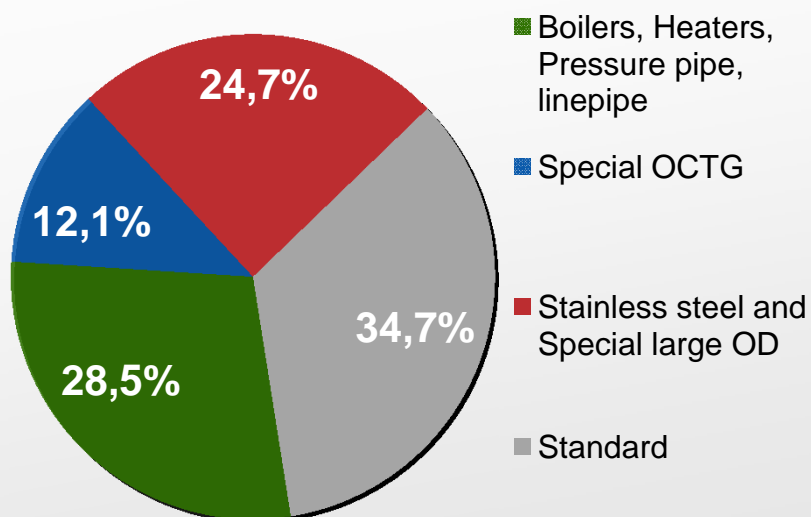
Special Products: 65% of sales (2014)

Focused on Special and Niche Products

February 2015

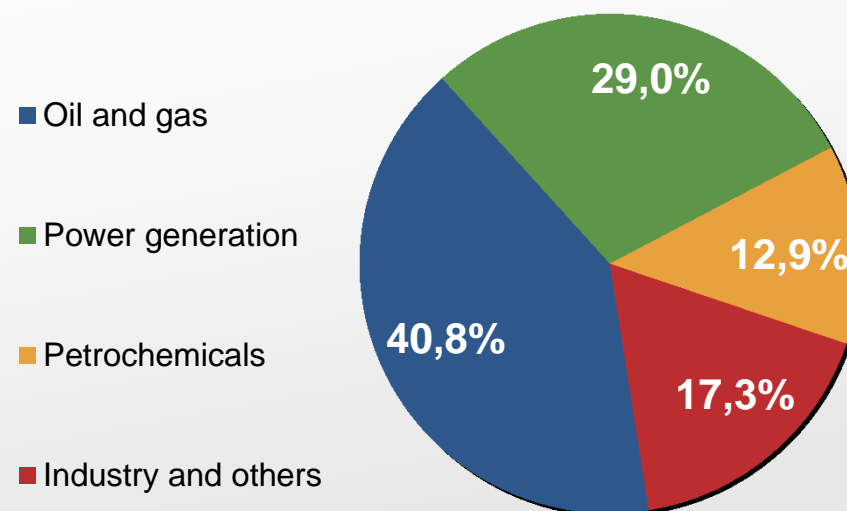


Sales breakdown by product,
Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014



Special Products:
65% of sales (2014)

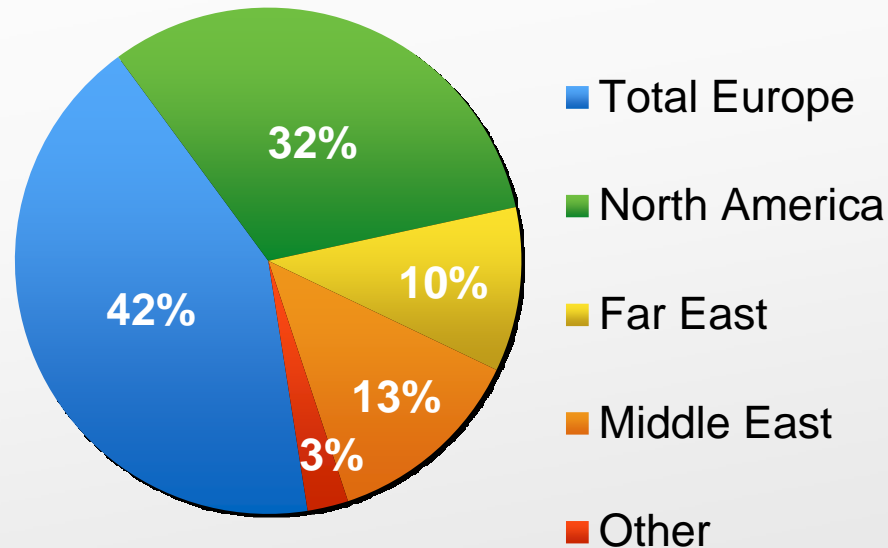
Sales breakdown by client,
Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014



Energy Sector:
83% of sales (2014)

Sales Breakdown by Region,

Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014

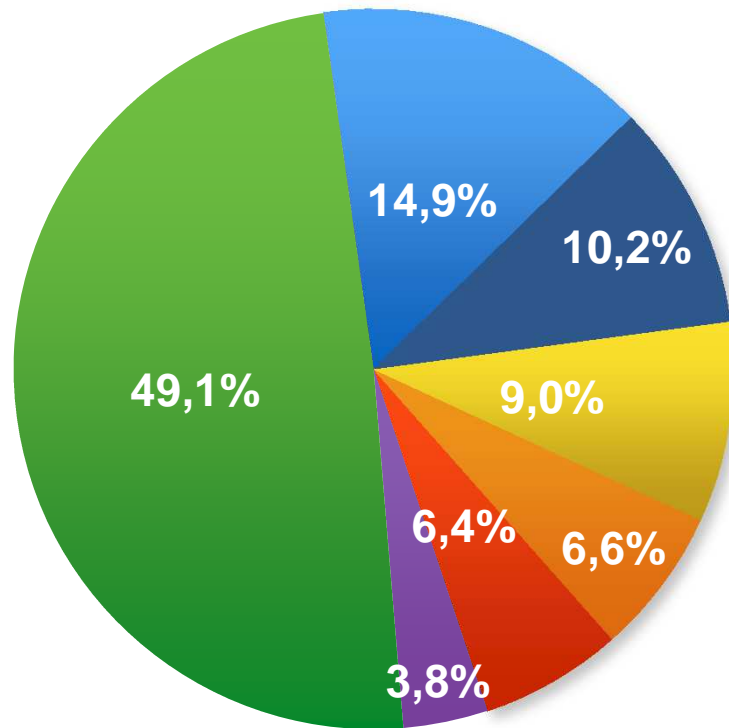


- **Historic worldwide presence**
- **86% of sales in international markets**
- **58% of sales out of Europe**

International Footprint: 86% of sales (2014)

Shareholder structure

February 2015



■ BBVA

■ Zorrilla Lequerica Family

■ N+1 por QMC II Iberian Capital Fund (N+1 Asset Management)

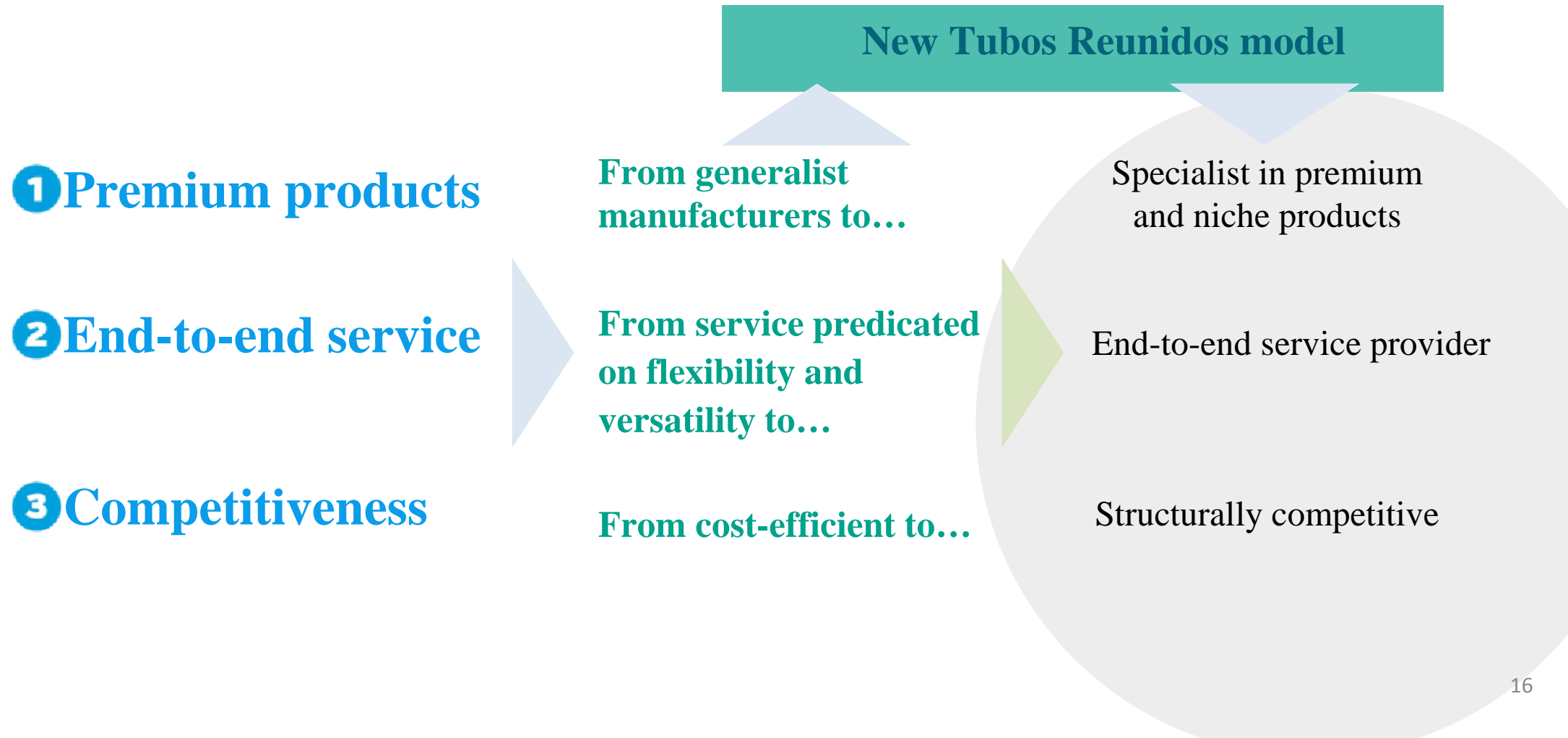
■ Ybarra Family

■ Barandiaran Family

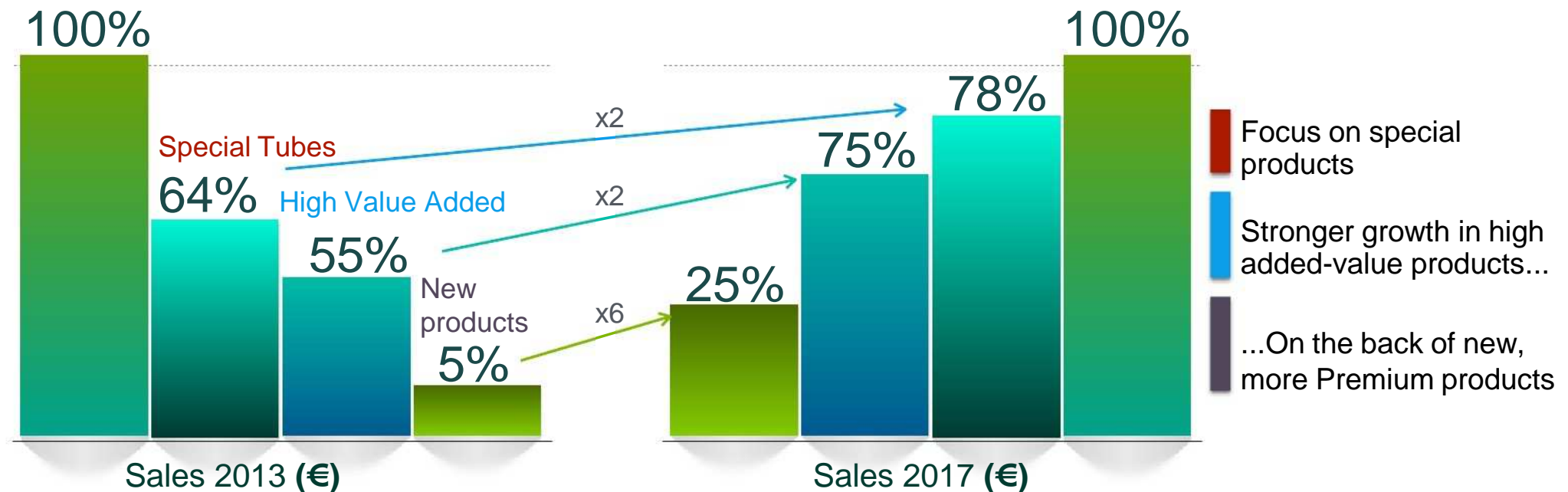
■ De Miguel Nart

■ Free Float

2. 2014 – 2017 Strategic Plan

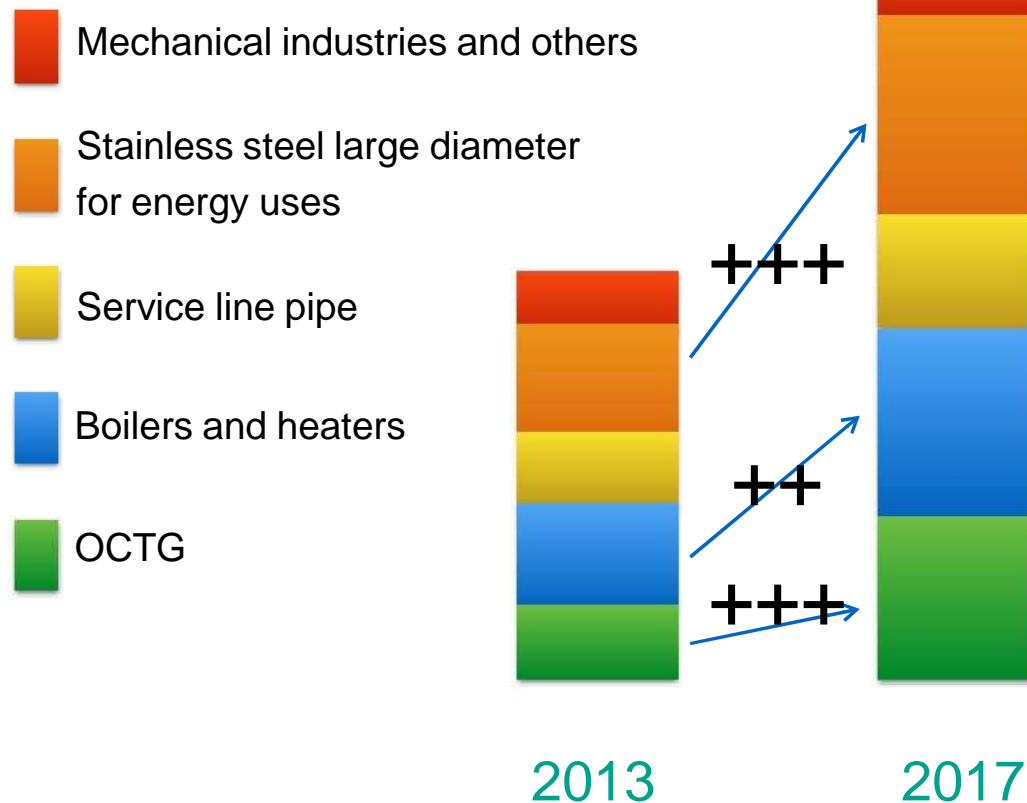


- Sales and technology strategy focused on higher added-value products: in high-growth, high-return segments



Sales volume increase

February 2015



New high-growth segments

Stainless steel large outside diameter for energy uses:

- Strong competitive advantages and entry barriers for TR
- Niche product - TR Group large market share
- New special products since 2013

Boilers and Heaters:

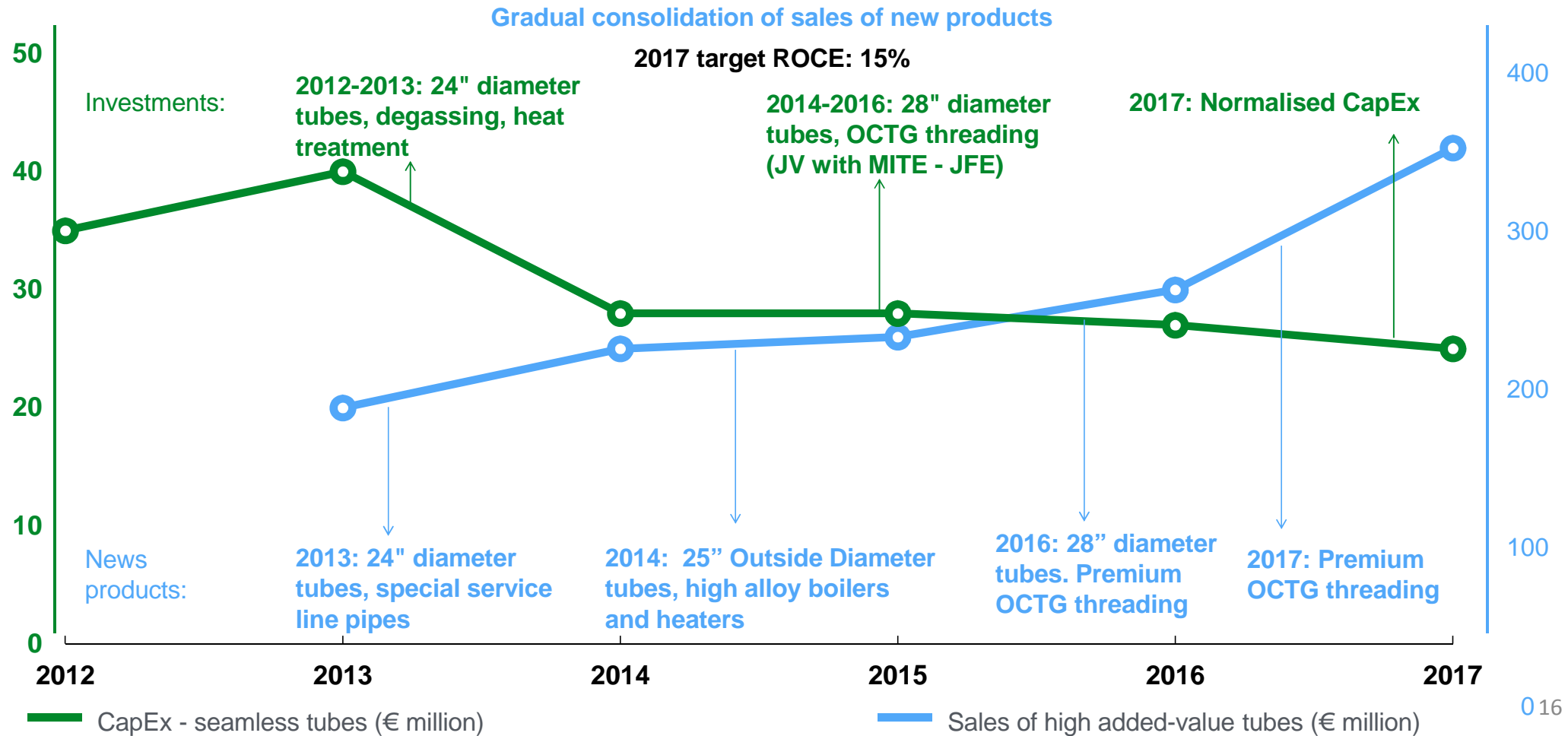
- Present in the maximum grade range, with applications in the most efficient and high-growth technologies in the energy generation and petrochemical sectors

OCTG:

- Non-conventional and more efficient technologies: higher Seamless Steel Tubes demand
- Long-standing presence in the US – large growing market
- New high-added value products in TR since 2014
- Agreement with MITE – JFE: Stronger capabilities in OCTG

Execution of Transforming Investment Plan: 2012-2016 of 150 Million Eur

February 2015



+ USA& Canada 30% -> 35%

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

+ Europe 45% -> 35%

- Consumption recovering from lows of 2012-2013 (-44% vs. 2007)
- Entrenched leadership position bolstered by new product capabilities

+ Asia 25% -> 30%

- Positioned in highly value-added products

Middle East + North Africa

- M. East: \$525bn over 5 years: 50% oil, 33% gas, 17% electricity
- TR agreement with MISI and JFE. Positioning in highly value-added segment
- New Almesa (distribution unit) strategy

Latam

- Opportunities in Mexico: energy reform
- Other areas by means of the new strategy for Almesa

RoW

Agreements, alliances and acquisitions - Commercial / Industrial

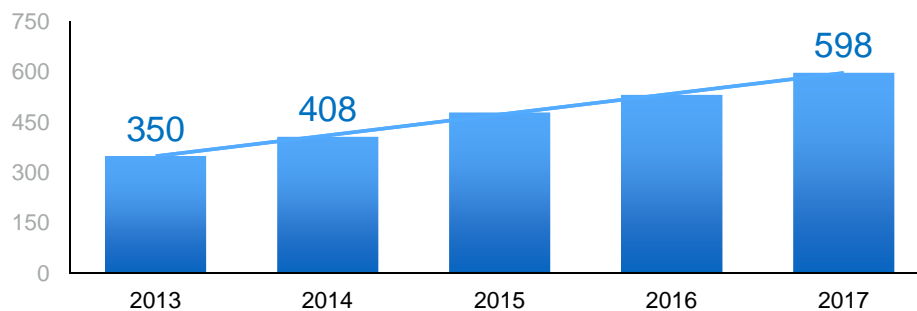


Quantitative Objectives 2014-2017

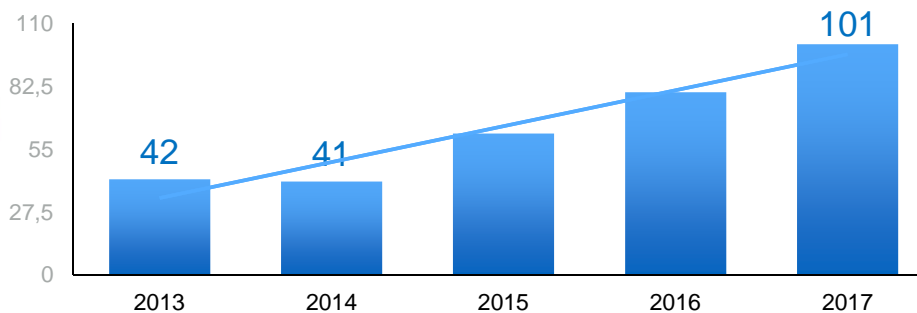
February 2015



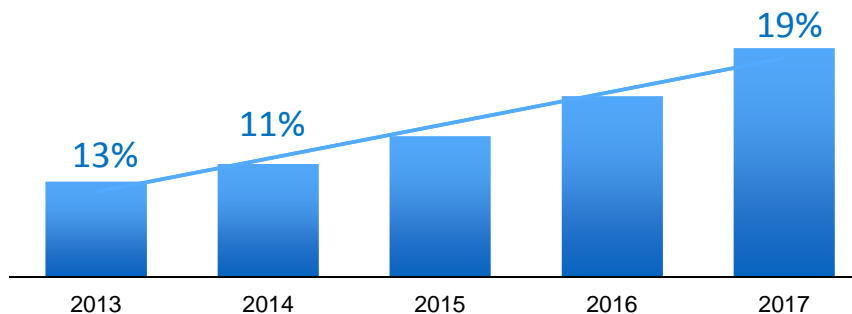
Consolidated
revenue,
€ million



Consolidated
EBITDA,
€ million



EBITDA
margin,
seamless tubes
% of revenue



2013 - 2017

1.7x

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

2.4x

- › Revenue growth + margin expansion

Margin expansion :

- › More profitable products
- › Operational gearing

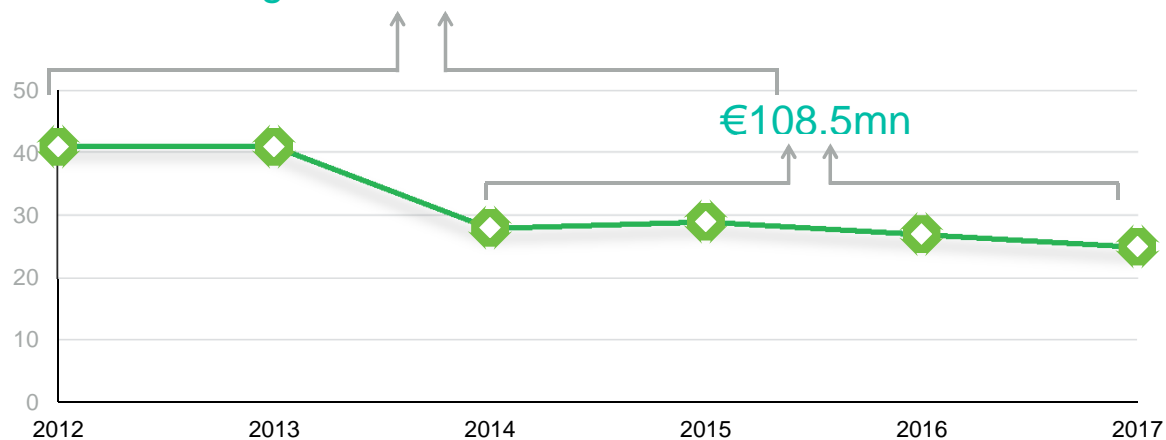
Quantitative Objectives 2014-2017

February 2015



Consolidated
Capex,
€ million

Transforming Investment Plan 2012-2016: €150mn



Leverage



Cash flow generation throughout the projection period is expected to drive a significant reduction in leverage without having to jeopardise the capex programme or dividend policy

3. TR – MISI – JFE: Strategic Agreement

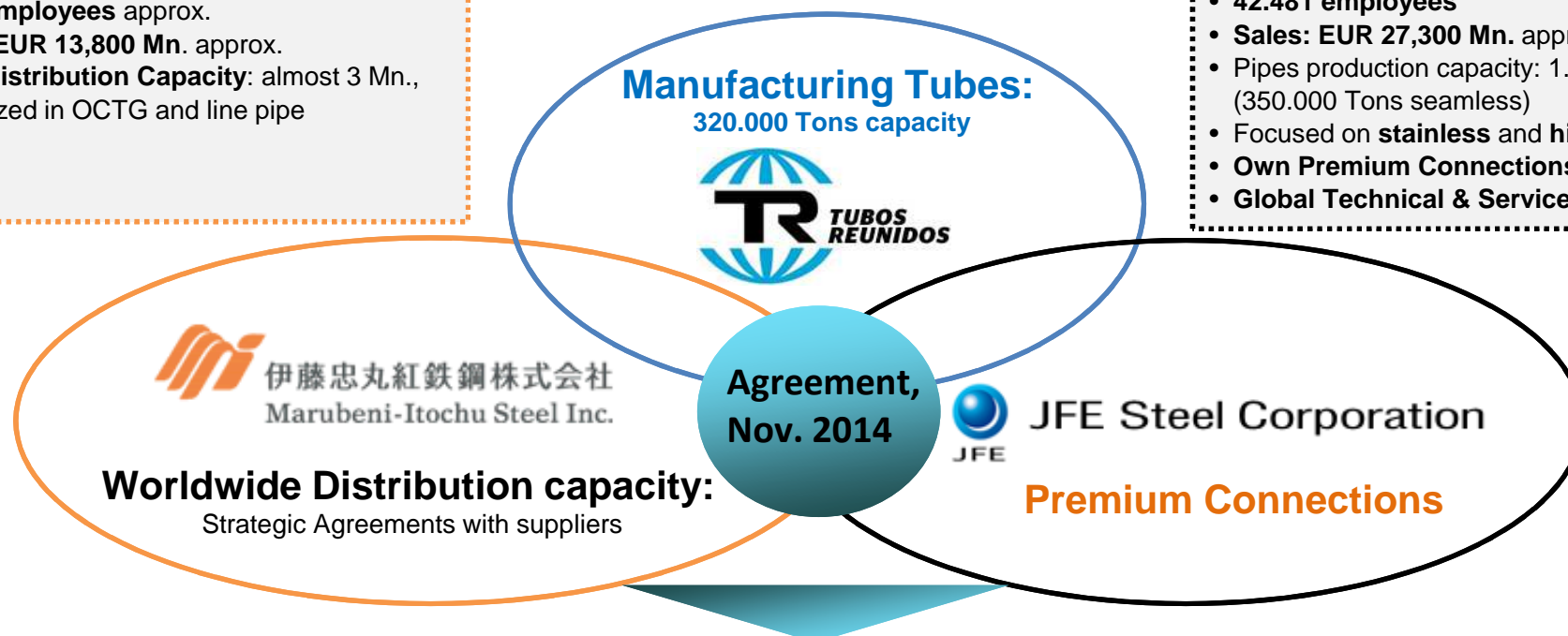
TR – MISI – JFE: Complementary Strategies

February 2015



- 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**



Manufacture, market and supply of Premium OCTG worldwide

OCTG Threading Capacity

February 2015



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

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

Premium Connections threading

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

Commercialization : Global One Stop Shop Offer

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

Service

- ✓ **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

February 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 Group Financials

February 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%

Consolidated Group Financials

February 2015



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

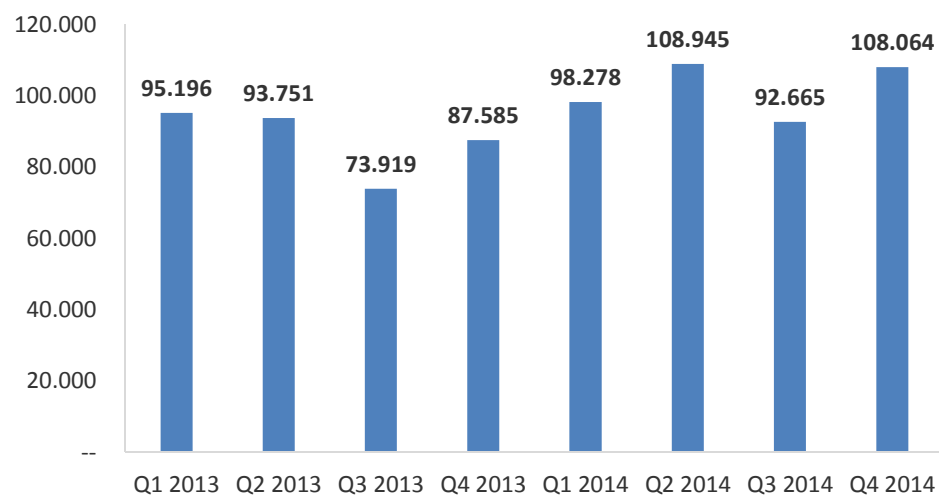
Consolidated Group Financials

February 2015



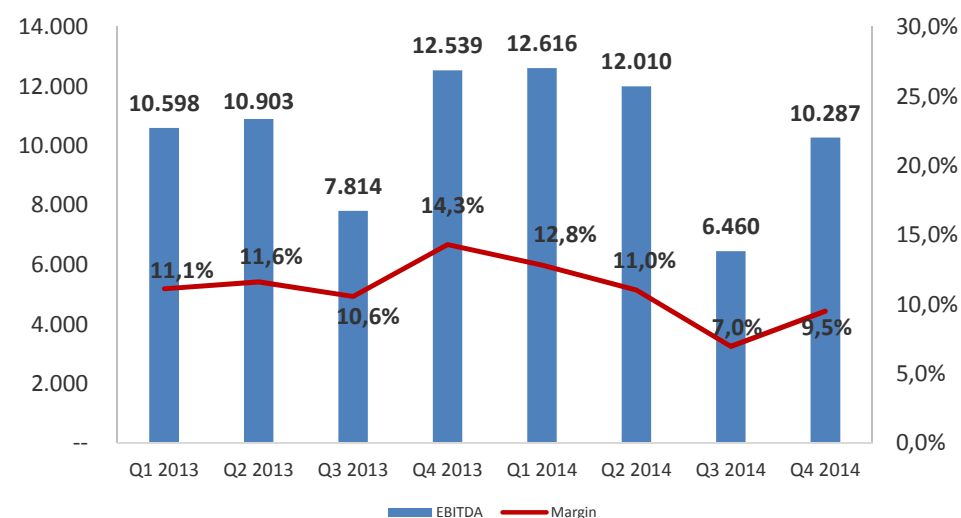
Consolidated Revenue

Thousands of Euros



Consolidated EBITDA and EBITDA Margin

Thousands of Euros; % of revenue

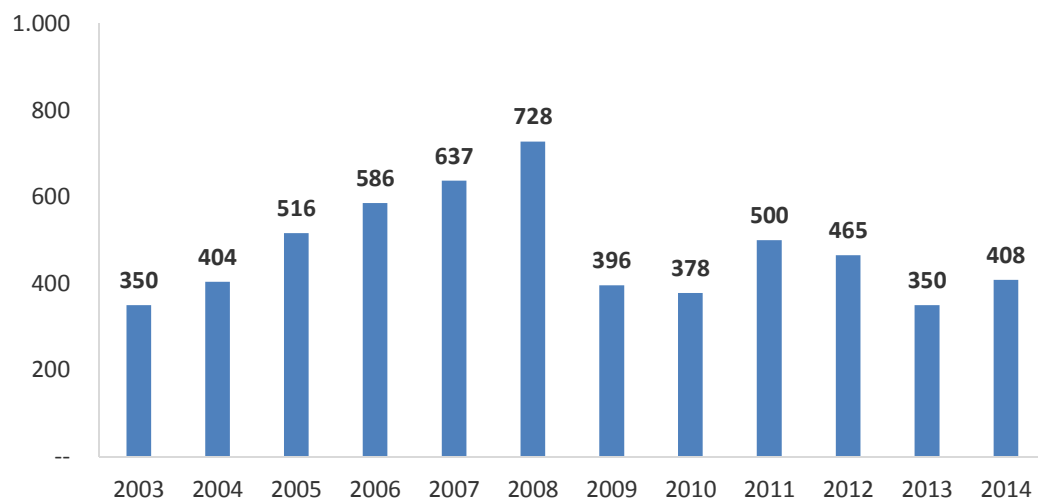


Consolidated Group Financials

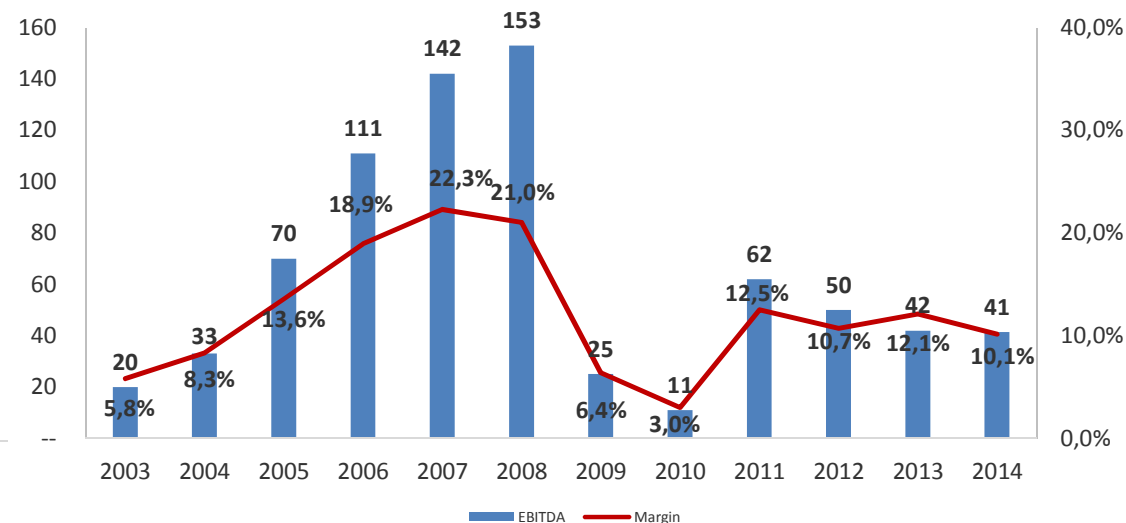
February 2015



Consolidated Revenue Millions of Euros



Consolidated EBITDA and EBITDA Margin Millions of Euros; % of revenue





Special Products & Integral Services Worldwide

Tubos Reunidos

February 2015