



Special Products & Integral Services Worldwide

Tubos Reunidos

May 2017





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INFORMATION

Information and Future Events

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1. – Highlights



HIGHLIGHTS

- **In Tubos Reunidos we have initiated 2017 with a return to a positive EBITDA** we had lost during the last year.
- **An extraordinary rebound in E&P investment in shale plays in North America** is taken place led by stabilization of oil price above 50USD per barrel and gas price above 3 USD per million BTU, gains in drilling efficiencies and implementation of OPEC agreement to cut oil production.
- **We are capturing market growth** with our enlarged high value added product portfolio and our new industrial configuration, with the start-up of the RDT (USA) and TRPT (Spain) facilities.
- A reorganisation of our bank debt has been implemented with the signature of a **new 207,7 million euros syndicated facility** for the next 5 and a half years.
- **Our new Strategic Plan 2017-2020 will be launched by the end of Q2 2017**, which based in our 360 Value Creation Plan will ensure growth, profitability and sustainability of the Group.

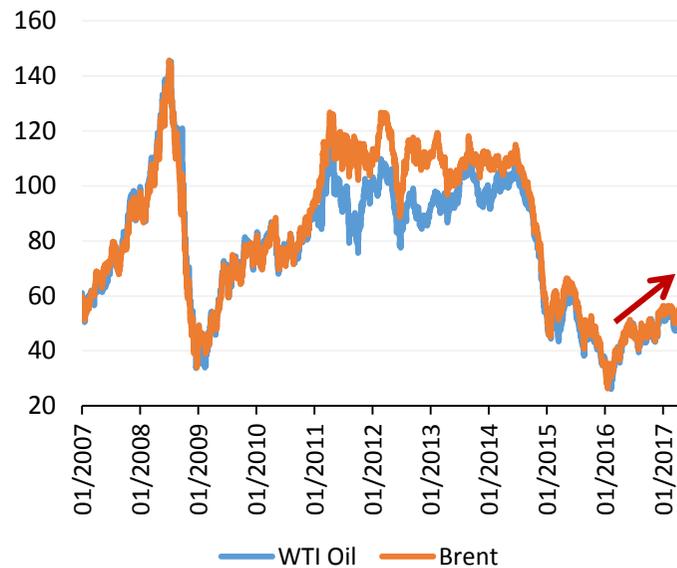


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2.– Market Context

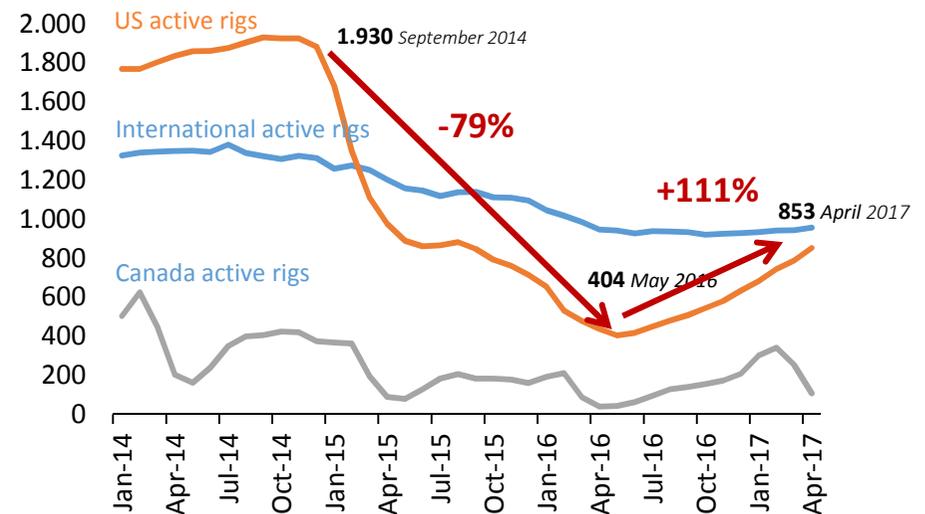
INCREASE IN COMMODITY PRICES

Oil & gas price



Source: Bloomberg, April 2017.

Worldwide Rig Count



Source: Baker Hughes, monthly average

- **Recovery and stabilisation of Oil price** above 50 USD / bbl and natural gas price above 3 USD per million BTU

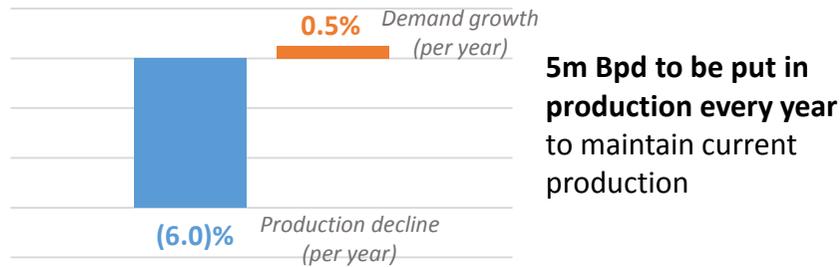
- **Extraordinary E&P investment rebound in shales in North America** after global consecutive declines of about 25% p.a.

Oil and gas price increase and normalization – E&P activity recovery in North America

US SHALES PRODUCTIVITY IMPROVEMENT

Rebound in E&P necessary

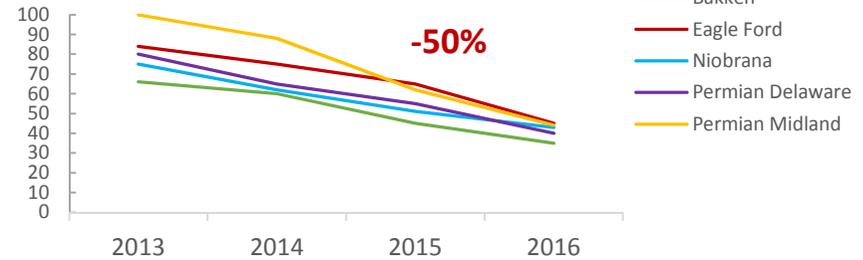
Global Oil Production Needs 2012-2035, (Bnbb/d)



Source: International Energy Agency, "Oil Medium Term Market Report" - February 2015.

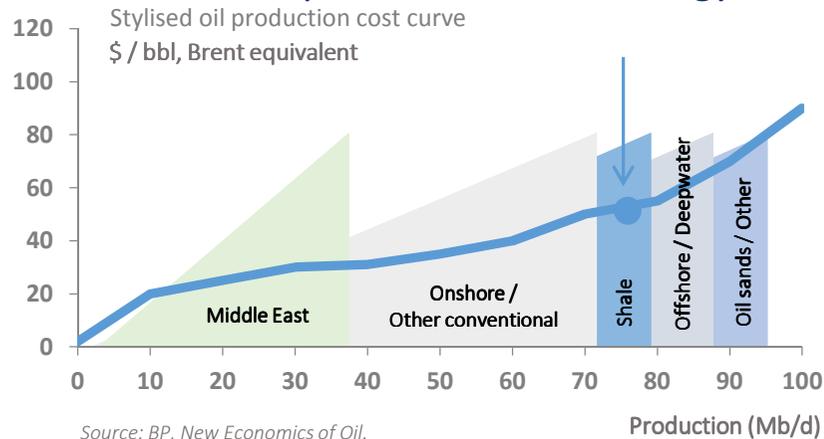
Lower Break Event prices at US Shales, (USD WTI)

Development in wellhead breakeven prices for the key shale plays



Source: Rystad Energy NASWellCube.

Shale as a competitive E&P technology



Source: BP, New Economics of Oil.

Shale & OPEC fills the gap opened up by other declines

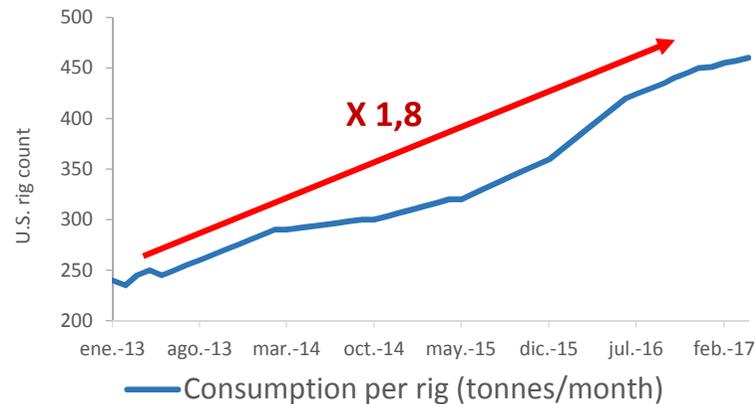


Source: Barclays Research.

Structural changes in production supply: US Shales and OPEC lead incremental production needs

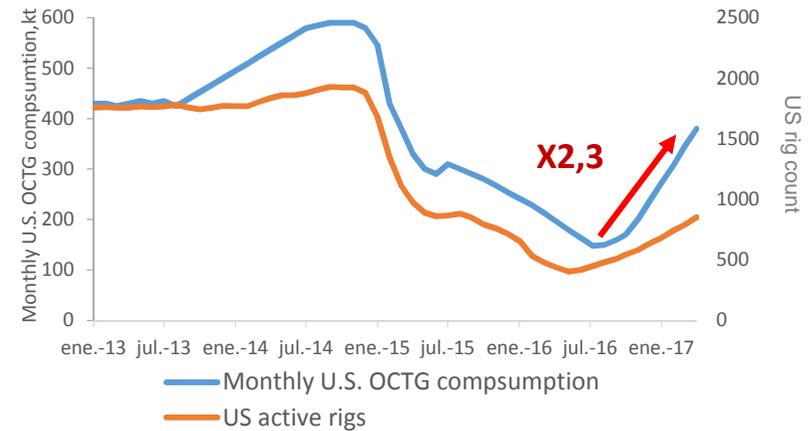
NORTH AMERICA REBOUND

Increase in OCTG consumption per rig



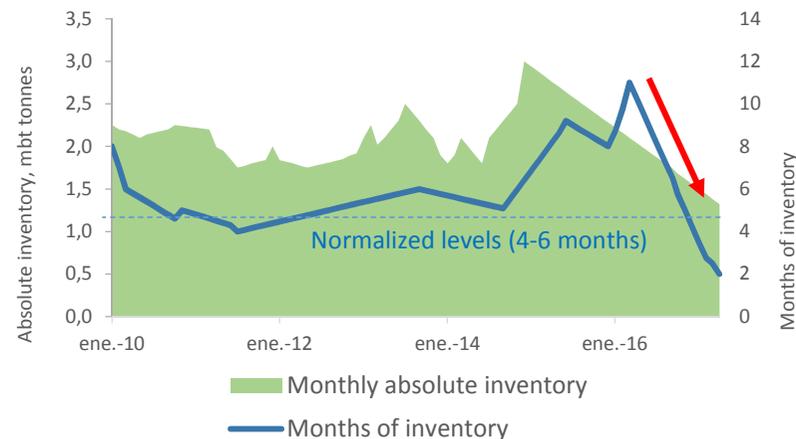
Source: Preston Pipe & Tube Report, Baker Hughes.

Recovery in US OCTG consumption



Source: Preston Pipe & Tube Report, Baker Hughes.

Inventory level normalization



Source: Preston Pipe & Tube Report, Baker Hughes.

- **U.S. shale decrease in production costs** has been led by higher intensity of drilling, more wells per rig and longer laterals, among others, **leading to an increase in OCTG consumption per rig**
- **Inventory level at historic low levels of 2 months of consumption**

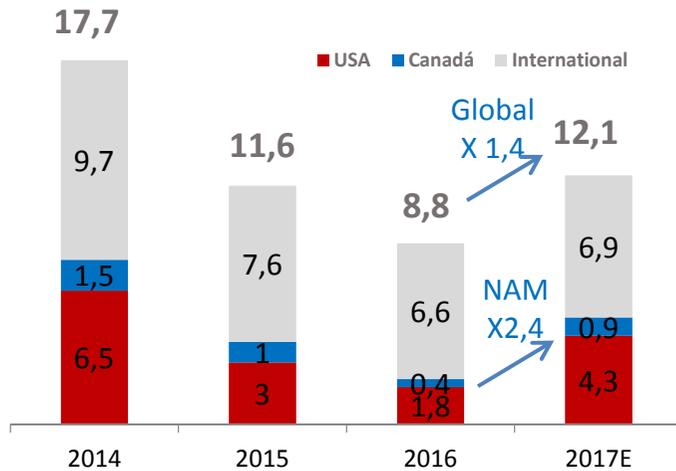
Strong OCTG demand increase already in place

OCTG DEMAND



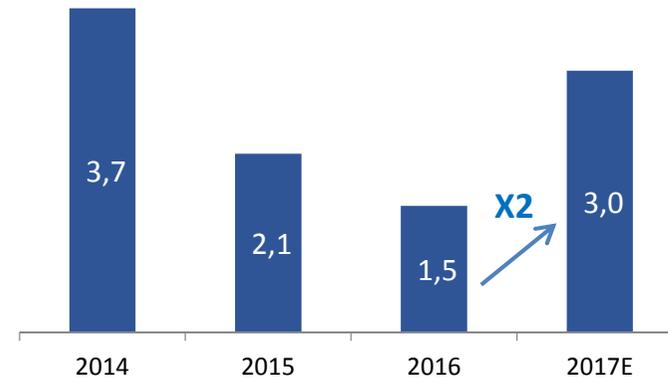
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Global OCTG Consumption (Million tons)



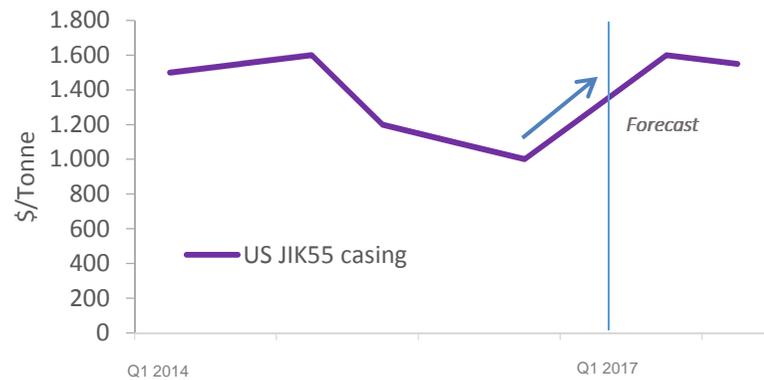
Source: Tenaris, Preston Pipe & Tubes Reports, Metal Bulletin Research.

North America OCTG Seamless consumption (Million tons)



Source: Tenaris, Preston Pipe & Tubes Reports, Metal Bulletin Research.

Seamless OCTG Prices(\$/Tonne)



Source: Metal Bulletin Research.

Higher 2017E OCTG demand and prices than previously foreseen

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SEAMLESS DEMAND IN OTHER SEGMENTS

Oil&Gas: OCTG out of North America and linepipe

- OCTG: timing of recovery still uncertain in other areas.
- Progressive increase in linepipe demand in the US.

Pressure pipes for Power Generation, Refining & Petrochemicals

- Increase in number of projects
- Continuation of the provisional anti-dumping measures in Europe against OD>16" Chinese tubing
- Prices under pressure with high competition

Mechanical tubes for Industry and Construction markets

- Recovery of demand and prices in Europe and US supported by industrial and automotive sectors

- **Continuing growth in demand for OCTG would rebalance high competition in other segments.**

Lower pace to recovery in other products and markets



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3.— TR Positioning

We have reacted during the downturn

- **Maintaining a focused strategy towards high value added products:** 2012-2016 investment plan finalized
- **Acquisition of the business of Rotary Drilling Tools USA**
- **Start of production of OCTG Premium Threads** at the new plant with Marubeni Itochu Steel Inc.,: Tubos Reunidos Premium Threads- TRPT
- **Completion of the strategy to concentrate on seamless pipe business** moving out of the automotive business and distribution in Spain
- **Execution of the Efficiency and Transformation Plan**

INVESTMENT PLAN 2012-2016 EXECUTED



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OCTG
Premium

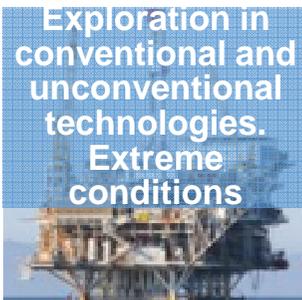
Special service
line Pipes

Large diameter
Tubes

Stainless
steel

Pressure Pipes,
Boilers and
Heaters

Oil & Gas



- Quenching and tempering
- High collapse
- High chrome alloys
- Proprietary steel grades
- Premium threads

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

- **High performance tubes and pipes:**
 - Special steel grades.
 - Special dimensional ranges.
 - Special finishing treatments.

Power Generation and Petrochemicals



- 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

- High corrosion.
- Extreme temperatures.
- High pressure & high temperature.
- More reliable.
- Higher efficiency.
- Lower maintenance.

Enlarged portfolio of special products

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**Acquisition of Rotary Drilling Tools in Q3 2017:**

- **Acquisition of assets** of the business for 19,6 Million Euros
- **Own integral processing** and finishing OCTG and drill pipe capabilities in Houston, Texas
- **Enlarged special products portfolio:** Patented solutions, innovative proprietary designs, which are intended to improve operational efficiency and end-user performance
- **Own Premium and Semi-Premium threads**
- **Increase in flexibility and service to clients**

1Q 2017 Results above the plan anticipated in 1Q 2017:

- i) greater pace of activity and ii) positive development in the learning curve.
- Initiated processing of TR tubes in Houston and the **direct supply of proprietary products to top level drilling companies**

Already serving directly to end users with own RDT Premium Products

TR-MISI-JFE: STRATEGIC AGREEMENT



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MARUBENI ITOCHU

- 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 1,5 Mn., specialized in OCTG and line pipe.

JFE STEEL

- 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:
325.000 Tons capacity



MARUBENI
ITOCHU
STEEL

Worldwide Distribution capacity
Strategic Agreements with supplies

**Agreement,
Nov. 2014**



JFE

Premium Connections

**Manufacture, market and supply of Premium OCTG
worldwide**

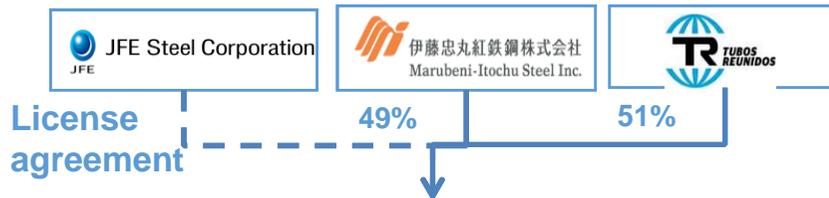
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TUBOS REUNIDOS PREMIUM THREADS: TRPT



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New Threading Plant in production



- ✓ OCTG threading New plant in Alava – Spain
- ✓ April 2016: API licence obtained
- ✓ May 2016: Start of production
- ✓ July 2016: JFE Premium connections in production
- ✓ Large order from Egyptian firm

Rationale for Tubos Reunidos

- Strengthen commercial reach
- Guarantee route-to-market for new TR Premium OCTG products
- Geographic diversification: Middle East, East Asia, Africa, Europe
- Move up in the value chain towards Service Solutions

Premium Solutions Offer



Strategic agreement MSI and JFE: Delivering contract to large oil company

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EFFICIENCY AND TRANSFORMATION PLAN



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Efficiency and Transformation Plan:

Activation of all flexibility levers to adapt to low activity:

- Shift reductions – Temporary employees.
- Temporary workforce restructuring plans at manufacturing plants and suppliers contracts.

Increase in competitiveness and efficiency:

- Reduction and optimization of the overhead structures.
- Staff reduction plan.
- Salary reductions.
- Efficiency improvement programs in all the operational processes.
- Optimization of procurement and renegotiation of all the elements of the supply chain.
- Redefinition of the internal and external logistical and transport processes.

New organizational structure:

- Group structure unification, decision processes optimization, cultural change towards a greater integration to bring out commercial and operational synergies.

360° Value Creation Plan:

Tubos Reunidos sets new goals for improvement included in the 360 Value Creation Plan that aims to strengthen the Group's competitive positioning in the future.

Targets achieved in 2015-2016: 17,8 Million Eur savings
New measures to be implemented

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TOWARDS A NEW BUSINESS MODEL



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Sustainable & continuous GROWTH
Oriented to PROFITABILITY
Financial health & SUSTAINABILITY



Strategic Plan 2017-2020 to be launched in June 2017

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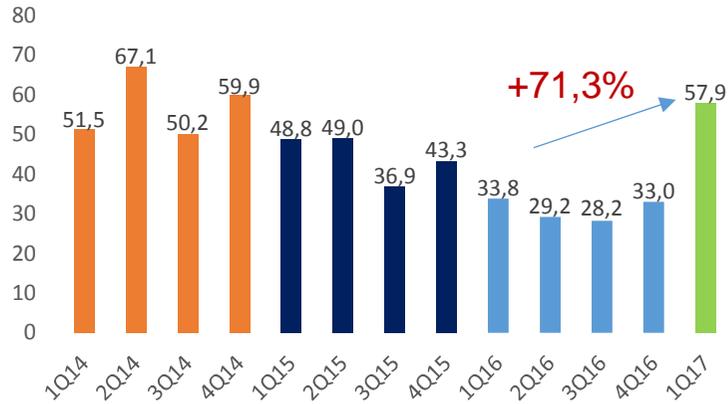


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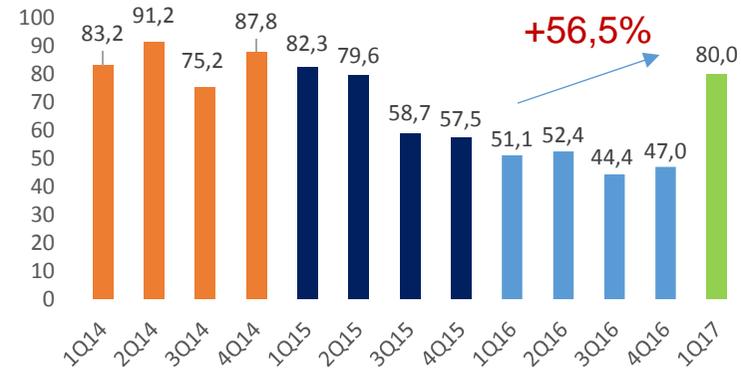
4. – Q1 2017 Results

Q1 2017 Financial Results

Volumes*, Thousand MT



Sales*, Millions of Eur



EBITDA*, Millions of Eur



*Automotive and distribution segments not included

**2016: inflection point -
2017: rapid recovery**

Q1 2017 Revenue

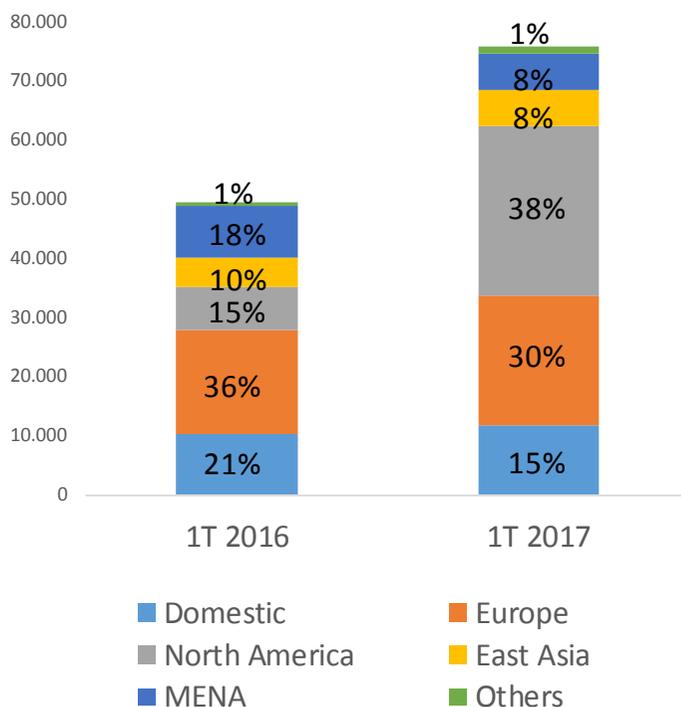
Revenue by geography and sector, in thousands of euros	1Q 2017	1Q 2016	Change YoY
Domestic	11.565	10.291	12%
Rest of Europe	33.758	27.898	21%
North America	28.506	7.157	298%
East Asia	6.080	4.887	24%
MENA	6.218	8.924	-30%
Others	1.127	647	74%
Refining & Petrochemical	7.516	9.019	-17%
Power generation	18.357	18.648	-2%
Oil & Gas	35.902	12.731	182%
Construction, mechanical, industrial	13.914	9.115	53%
Total consolidated	75.689	49.513	53%
Sales Volume (tons)	57.918	33.755	72%

- Pipe sales amounted to €75.7 million in the quarter, which represent an **increase of 53% year-on-year** following the higher volumes contracted in the fourth quarter of 2016.
- **Increase in sales mainly in North America (+ 298%)** in the OCTG sector, due to the rebound of investment in shale drilling,
- Europe shows a positive performance (+ 21%) thanks to increase in the **sale of large-diameter tubing**, especially for the construction and industrial sectors and also in East Asia (+ 24%), particularly in the energy, refining and petrochemical sectors.

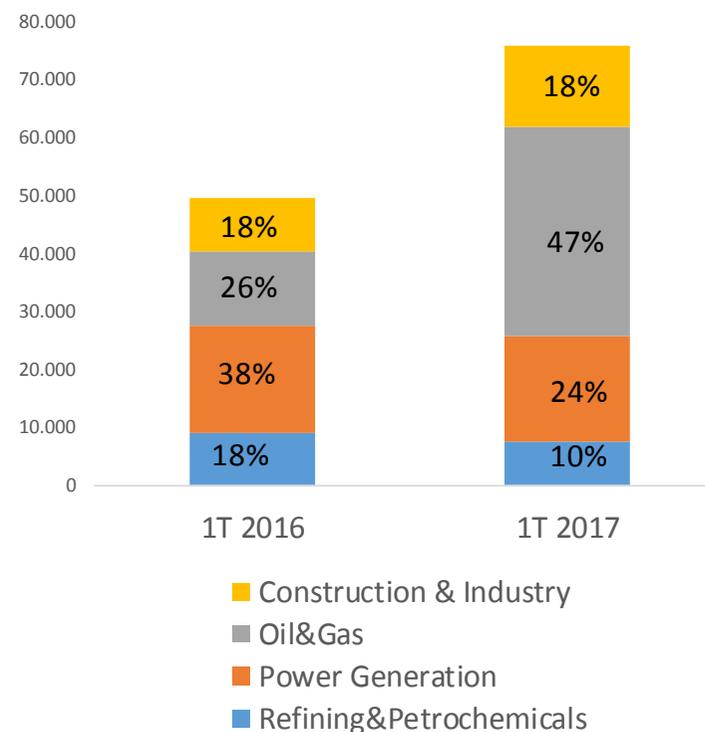
Strong increase in volumes

REVENUE BREAKDOWN

Sales breakdown by geography, Millions of Eur

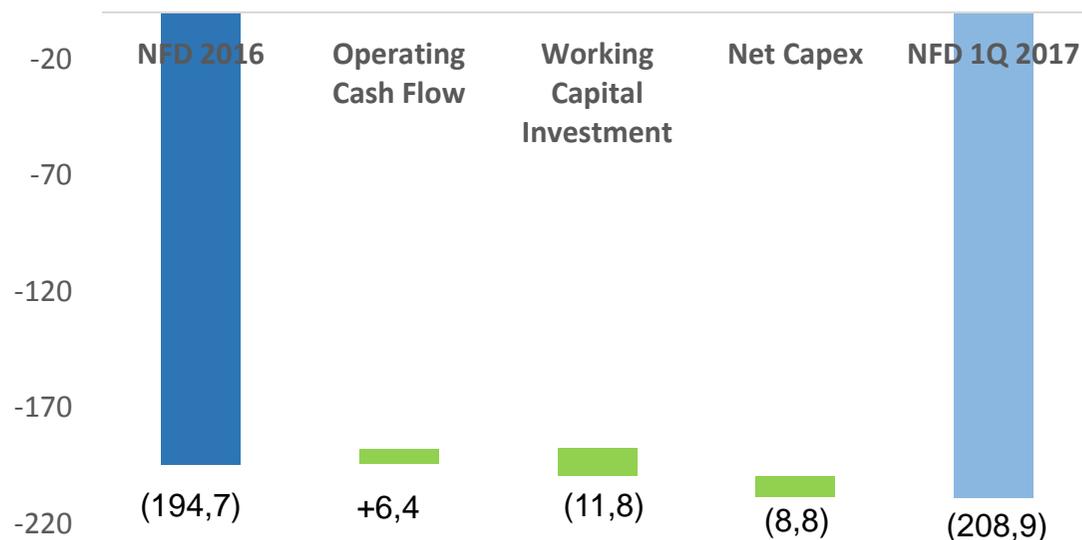


Sales breakdown by sector, Millions of Eur



Capturing Growth in OCTG in North America

Q1 2017 NET FINANCIAL DEBT AND LIQUIDITY



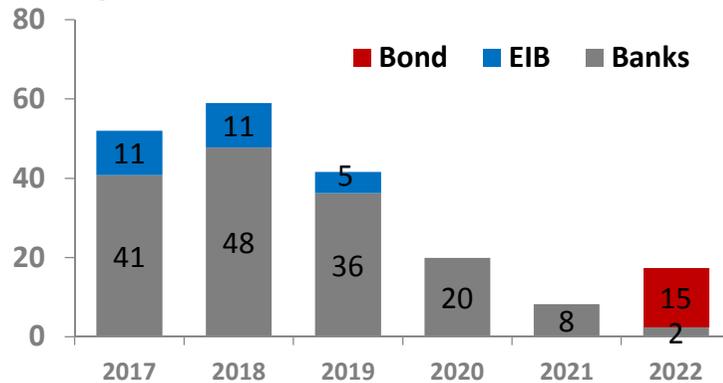
Debt and liquidity, ('000 Eur)	Q1 2017
Gross Financial Debt	220.135
Cash and cash equivalents	11.267
Net Financial Debt	208.868
Total credit lines undrawn	31.737
Total liquidity	43.004

*Operating cash flow is calculated as the cash flow from operating activities before investment / divestment in working capital
Free cash flow is calculated as the sum of the operating cash flow +/- working capital variations +/- net capital investments*

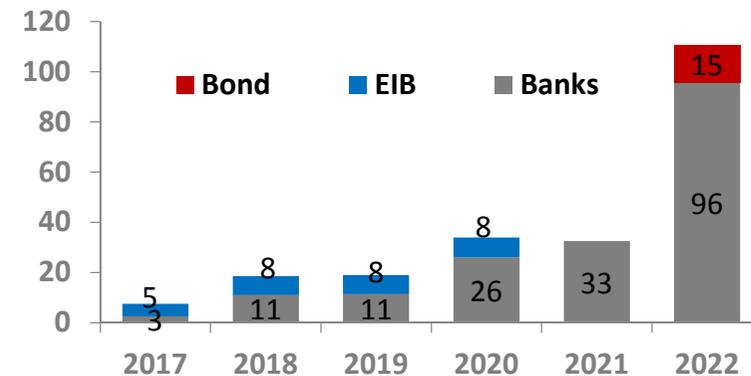
- **Operating cash flow for the period amounted to a positive amount of €6.4 million** which, due to the increase in sales and its corresponding investment in working capital (€11.8 million) and to net investment payments (€8.8 million) made on the basis of the 2014-2017 Strategic Plan, leads to a negative free cash flow of €14.2 million for the quarter and a net financial debt as at 31 March of €208.9 million, compared with €194.7 millions at 31 December 2016.

FINANCING STRUCTURE

Debt maturity profile before reorganisation of bank facilities (MEUR)



Debt maturity profile after reorganisation of bank facilities (MEUR)



December 2016, ('000 EUR)

Banks	154.932
BEI	27.878
Bond	15.043
Gross Debt	197.853
Undrawn committed bank facilities	52.383
Total Bank limits	207.315

Syndicated Facility

Tranche A, amortising	120.479
Tranche B, bullet November 2022	58.162
Tranche C	29.081
Total	207.722

Reordenation of financial structure

INCOME STATEMENT



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INCOME STATEMENT, Thousands of Euros	1Q 2017	1Q 2016	Change YoY	4Q 2016	Change QoQ
Net sales	80.004	51.093	56,6%	46.987	70,3%
Changes in inventory	11.689	(2.406)	585,8%	6.450	81,2%
Supplies	(39.438)	(19.890)	(98,3%)	(29.021)	(35,9%)
Labor costs	(24.605)	(21.140)	(16,4%)	(28.692)	14,2%
Other operating expenses	(18.723)	(11.893)	(57,4%)	(21.523)	13,0%
Other operating income and net gains/(losses)	2.037	1.907	6,8%	16.019	(87,3%)
EBITDA	10.964	(2.329)	570,8%	(9.780)	212,1%
Depreciation and amortisation charge	(7.652)	(6.423)	(19,1%)	(10.113)	24,3%
EBIT	3.312	(8.752)	137,8%	(19.893)	116,6%
Financial income/(expense)	(2.483)	(2.012)	(23,4%)	(1.447)	(71,6%)
Profit before income tax	829	(10.764)	107,7%	(21.340)	103,9%
Profits tax	240	106	126,4%	389	(38,3%)
Consolidated profit for the period	1.069	(10.658)	110,0%	(20.951)	105,1%
Profit from non continuing operations	(1.329)	(594)	(123,7%)	(4.090)	67,5%
Consolidated profit for the period	(260)	(11.252)	97,7%	(25.041)	99,0%
Profit from minority interests	367	98	274,5%	661	(44,5%)
Profit for the period	107	(11.154)	101,0%	(24.380)	100,4%

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BALANCE SHEET



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BALANCE SHEET, Thousands of Euros

	1Q 2017	4Q 2016
NON-CURRENT ASSETS	440.149	443.916
Inventories and customers	146.816	119.899
Cash and other cash equivalents	11.267	8.140
CURRENT ASSETS	158.083	128.039
Assets held for sale	8.932	7.025
TOTAL ASSETS	607.164	578.980
NET EQUITY	181.498	181.944
DEFERRED REVENUES	14.222	13.865
Non-current provisions	2.008	1.916
Bank borrowings and other financial liabilities	132.592	128.720
Fixed income securities	15.062	15.043
Other non-current liabilities	62.544	64.662
NON-CURRENT LIABILITIES	212.206	210.341
Short-term provisions	3.948	4.003
Bank borrowings and other financial liabilities	72.480	59.075
Other current liabilities	116.118	105.127
CURRENT LIABILITIES	192.546	168.205
Liabilities held for sale	6.692	4.625
TOTAL LIABILITIES	607.164	578.980
Net financial debt	208.867	194.698

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5.– Outlook



OUTLOOK



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- **The recovery of demand for OCTG in North America will continue** throughout the year. Currently, Market estimates expect a 2.4 times increase in demand to 5.2 million Tms in 2017, up from 2.2 million Tms in 2016.
- **In the rest of the activity sectors, recovery signs are more scarce** and moderate or flat growth levels are being maintained, with high levels of competition.
- **Tubos Reunidos expects to continue its improvement in operating results obtained in Q1 2017** into the second quarter, supported by the positive trend of incoming orders during the first quarter in both volume and price.



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