



TUBOS
REUNIDOS
GROUP

Special Products & Integral Services Worldwide

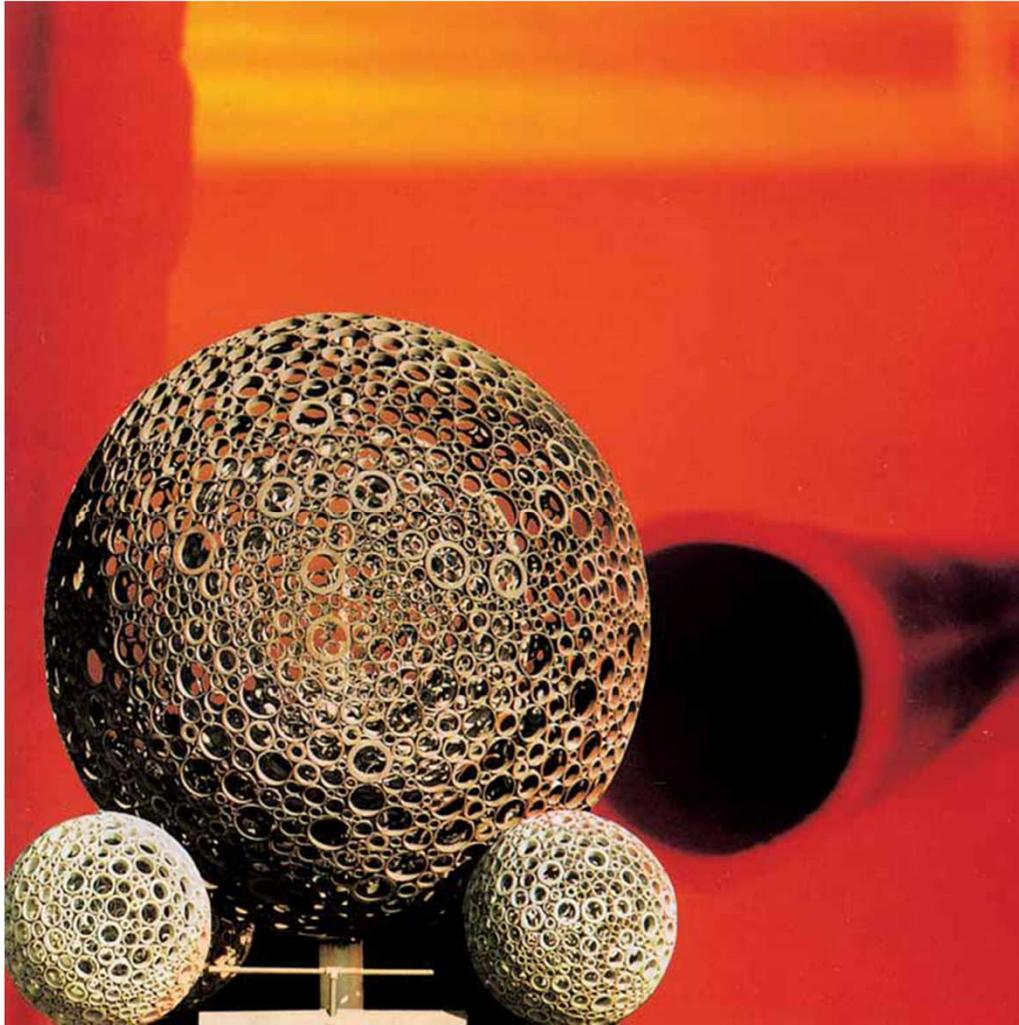
Tubos Reunidos

November 2015

Tubos Reunidos Group

1. Company Overview
2. Strategy
3. TR – MISI – JFE: Strategic Agreement
4. Market Context & Financial Highlights

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 (To be completed in 2015)
- **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

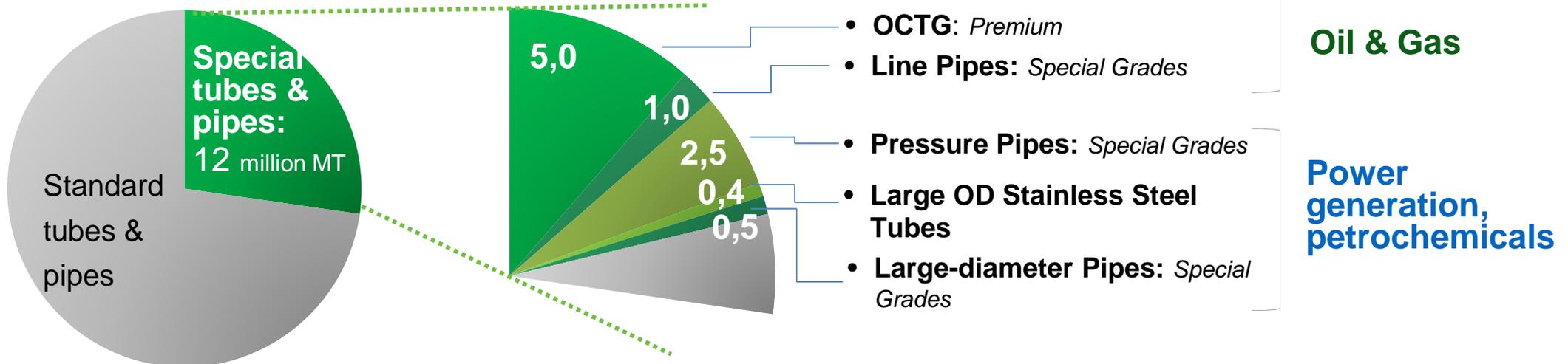
Global Demand for
Seamless Steel Pipes

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

November 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

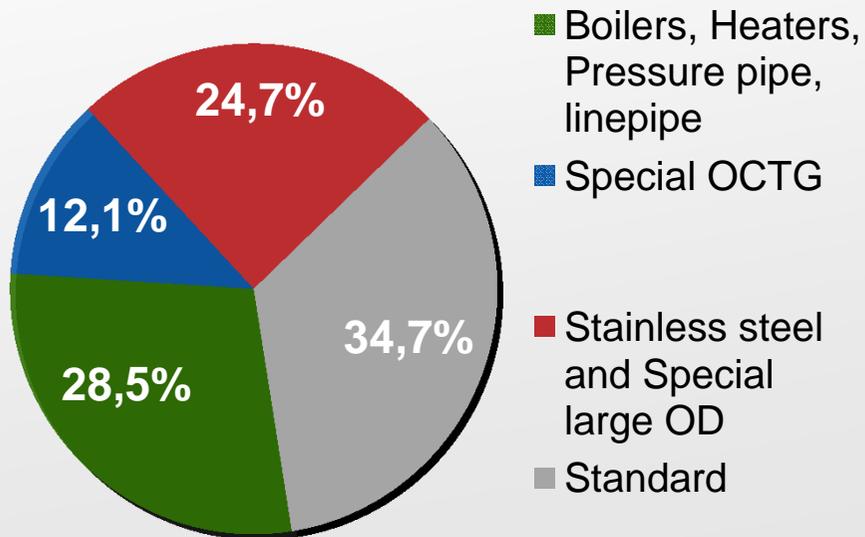
November 2015



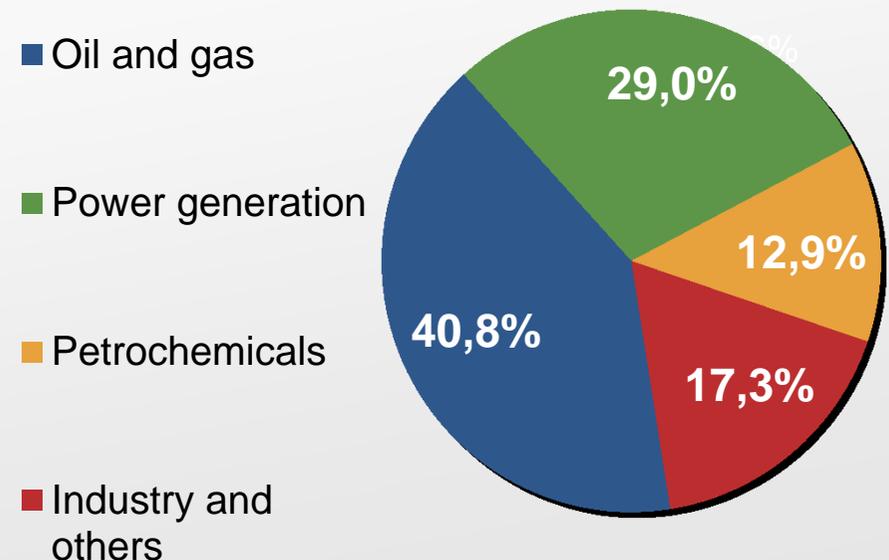
Sales breakdown by product, Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014

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

November 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"

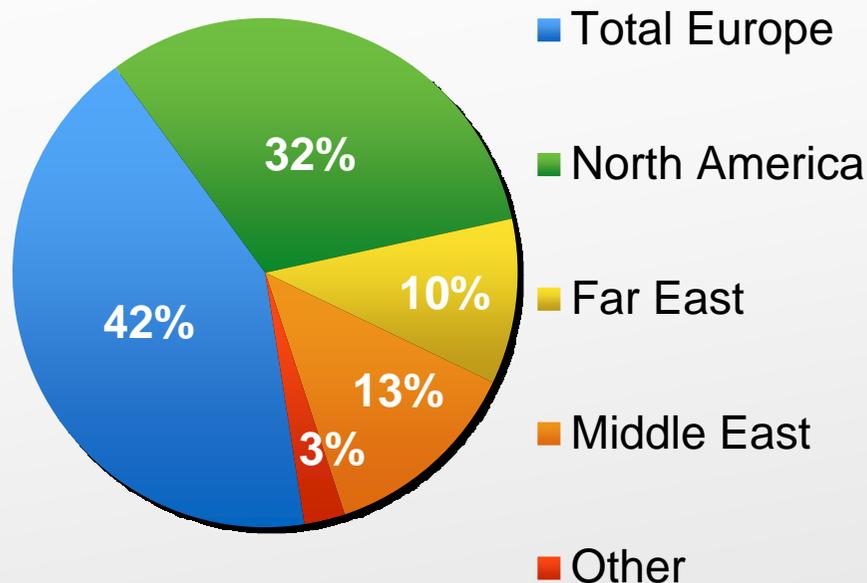
- Diameter: 190-635 mm.
- Thickness: 6.30 – 120 mm
- Carbon, high alloy and stainless.

Manufactured at Productos Tubulares



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

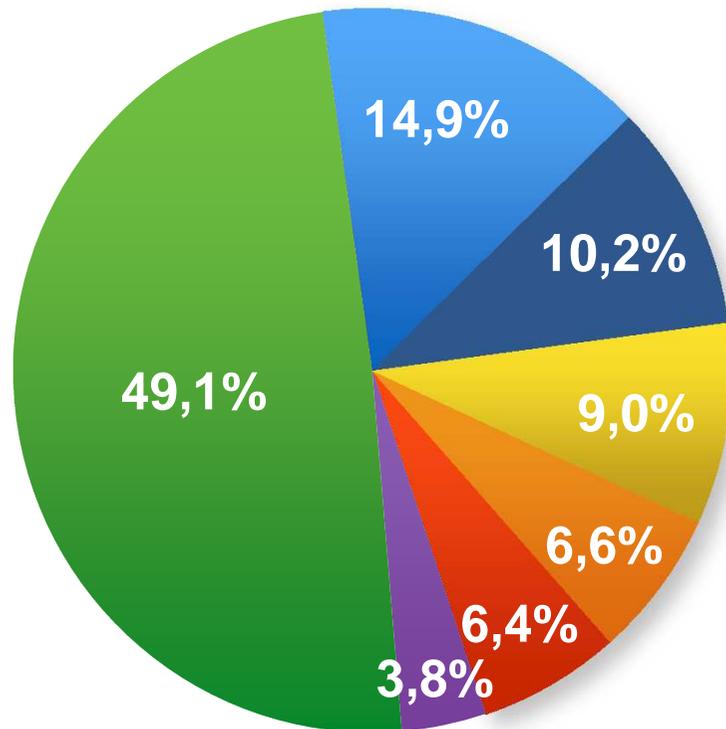
Sales Breakdown by Region, Seamless Steel Tubes and Pipes, Millions of Eur, FY 2014



- **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

Strategic Plan 2014-2017: 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**

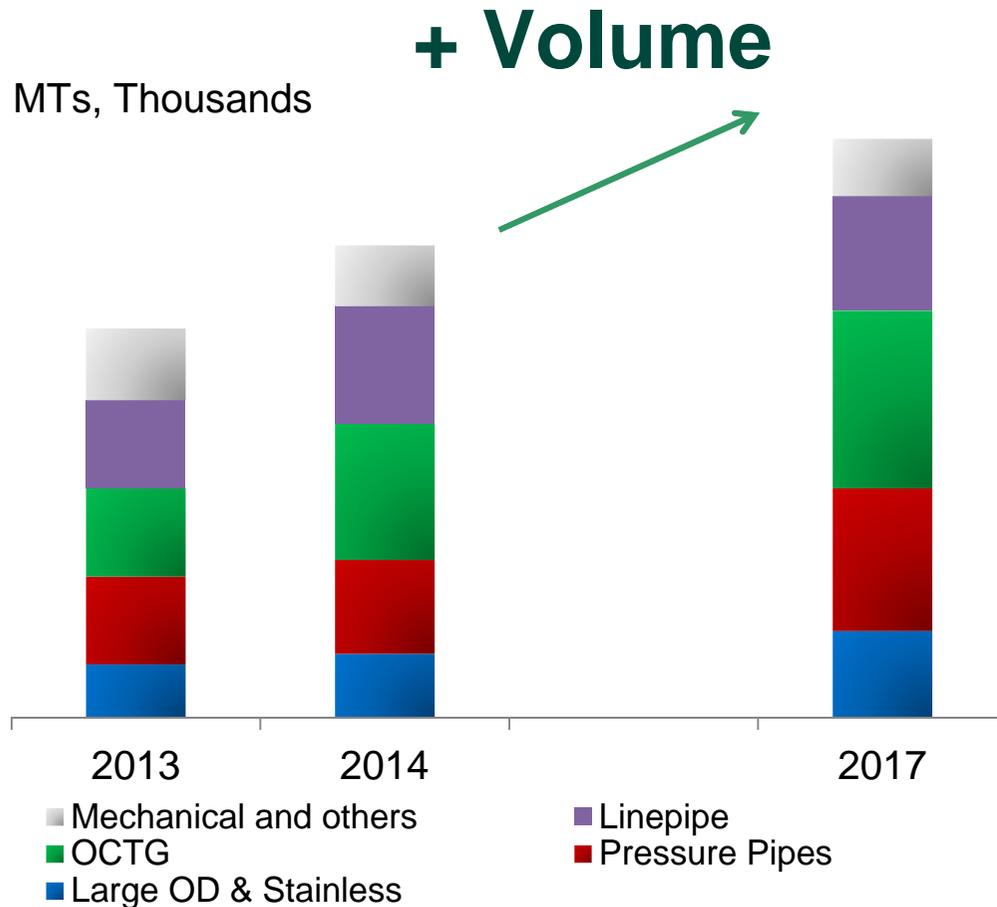
Integrated Service Solutions

Structurally competitive

Global and local presence

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

Sales volume increase



+ 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

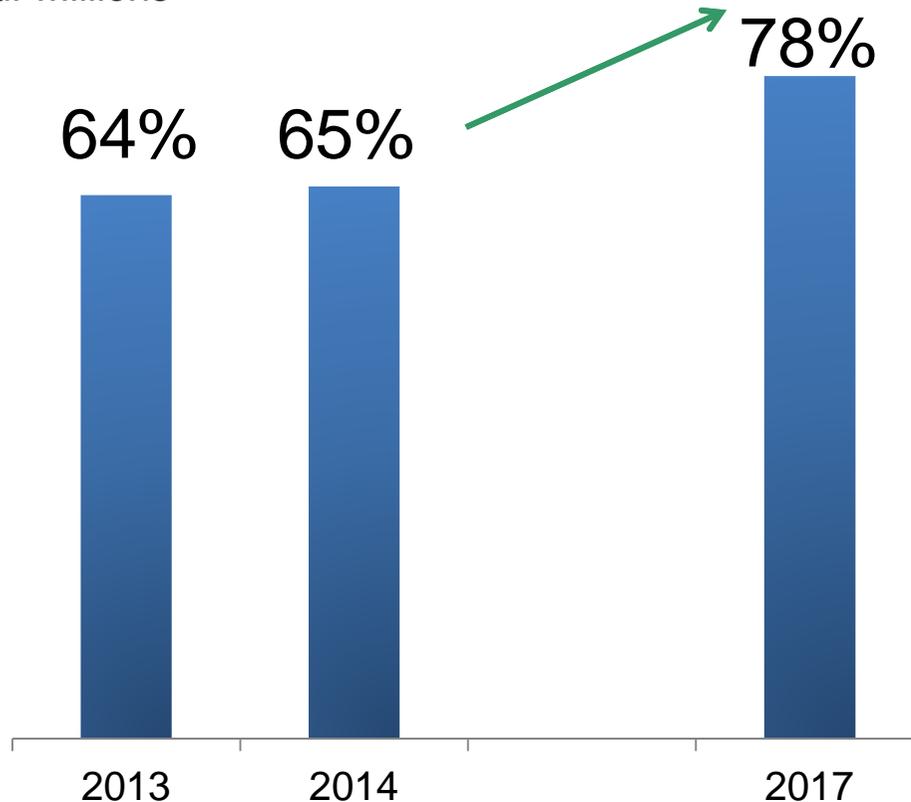
- Strong competitive advantages and entry barriers for TR
- Niche product - TR Group large market share
- New special products since 2013

+ Service, + Competitiveness, + Global presence

TR: - Growth based in new products: investments already executed
- Available capacity without capex requirements

+ Better mix

Eur Millions

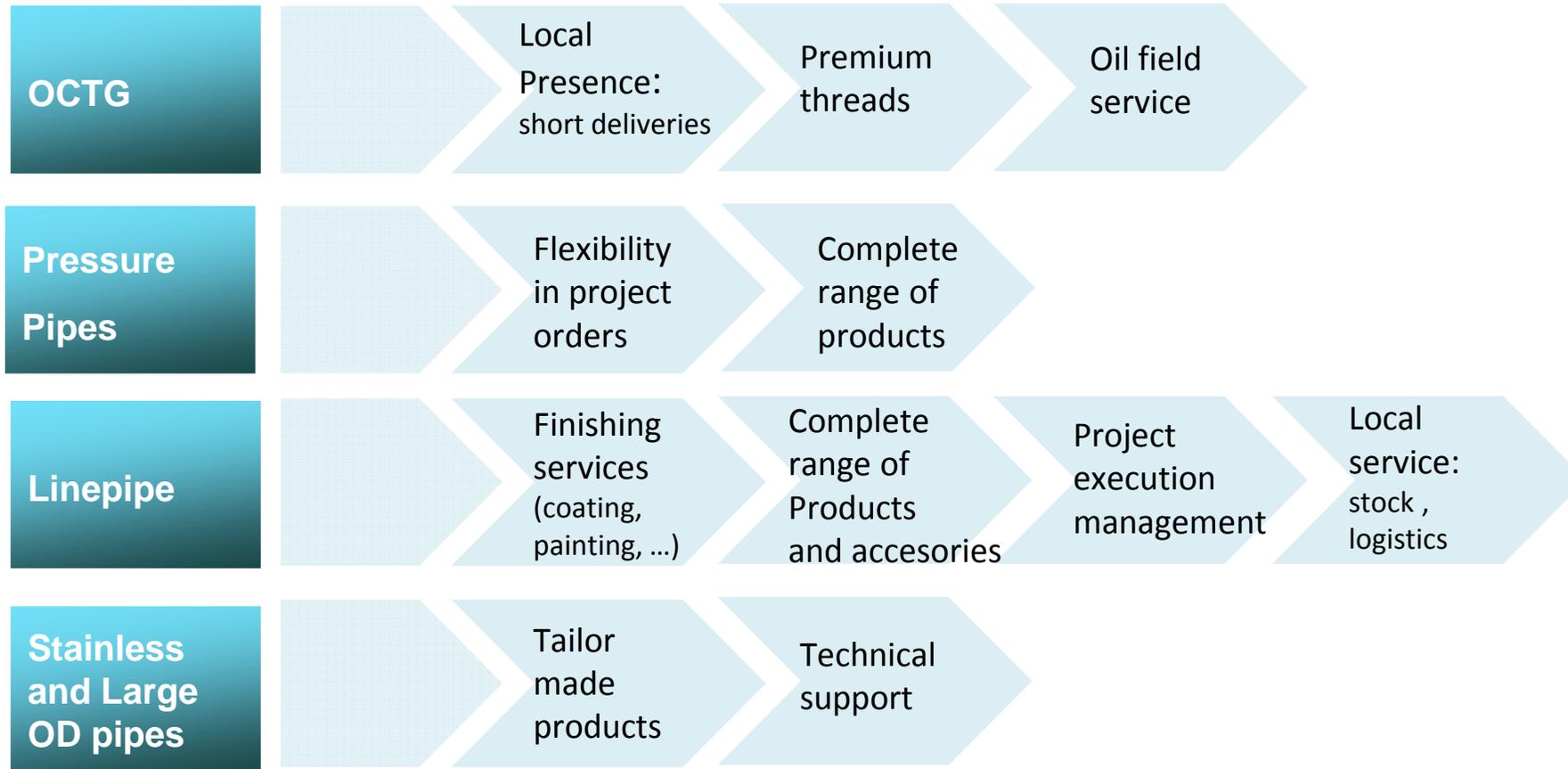


Sales and technology strategy focused on higher added-value products: in high-growth, high-return segments

- 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**

- **Accelerate and increase** sales of high value-added products and services by:
 - **Diversifying the industrial model**, once investment in our plants has been completed
 - **Integrating production and commercial capacity** in growth geographic markets
 - **Achieving structural competitiveness**

Agreements, Alliances and Corporate transactions

OCTG: Supplement production capacities in target markets, increasing service, commercial presence and customer proximity.

Large diameter stainless steel tubing: obtain a larger global footprint leveraging our differentiated products and production process.

Stronger service capacities in Almesa for linepipe product in targeted geographic markets

Integrate supplementary production capacities in growth markets: extending range of high value-added products and services and increasing competitiveness.

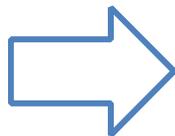
Strengthening of TR's positioning in global markets

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**

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



伊藤忠丸紅鉄鋼株式会社
Marubeni-Itochu Steel Inc.

Worldwide Distribution capacity:
Strategic Agreements with suppliers

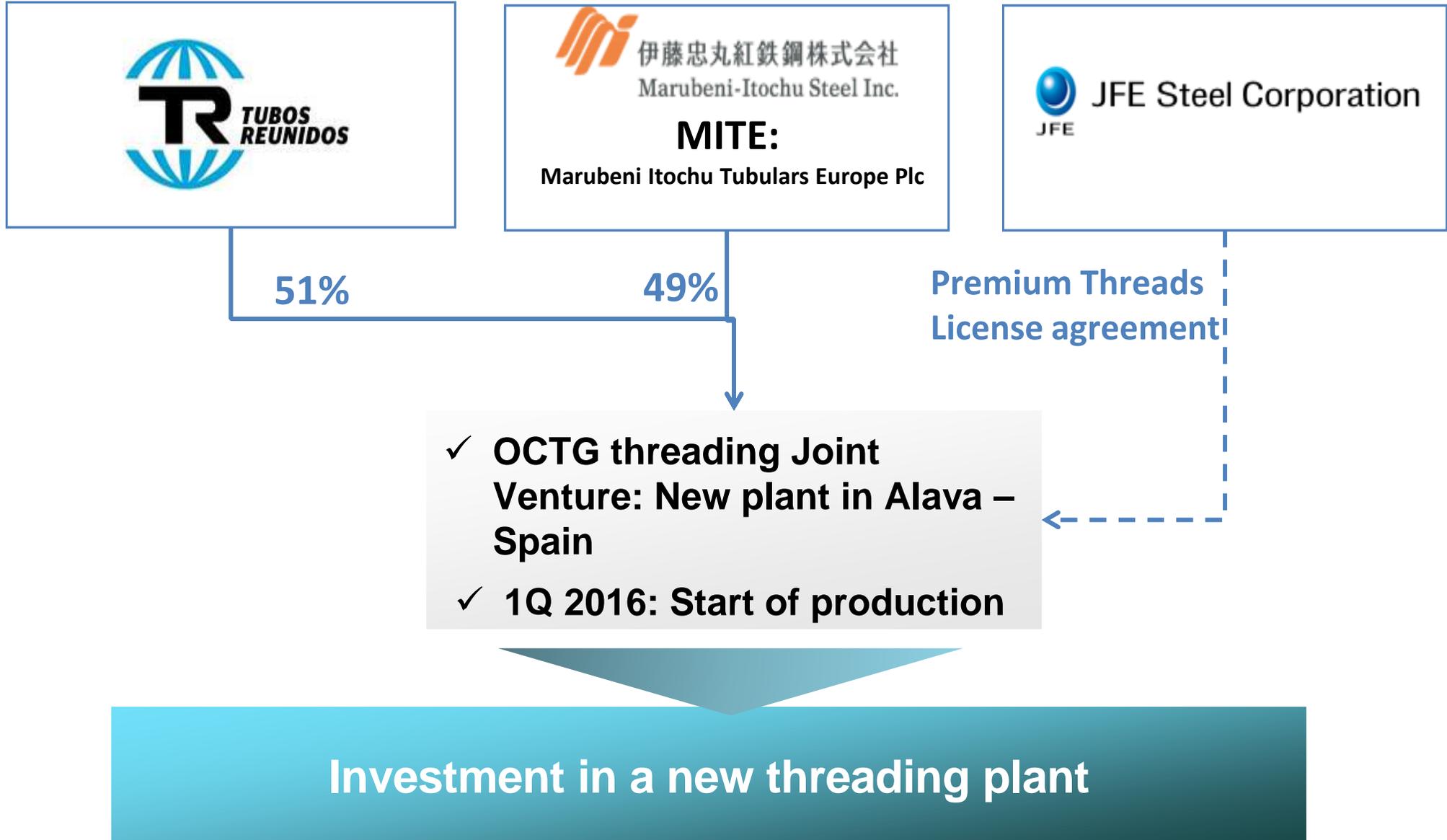
**Agreement,
Nov. 2014**



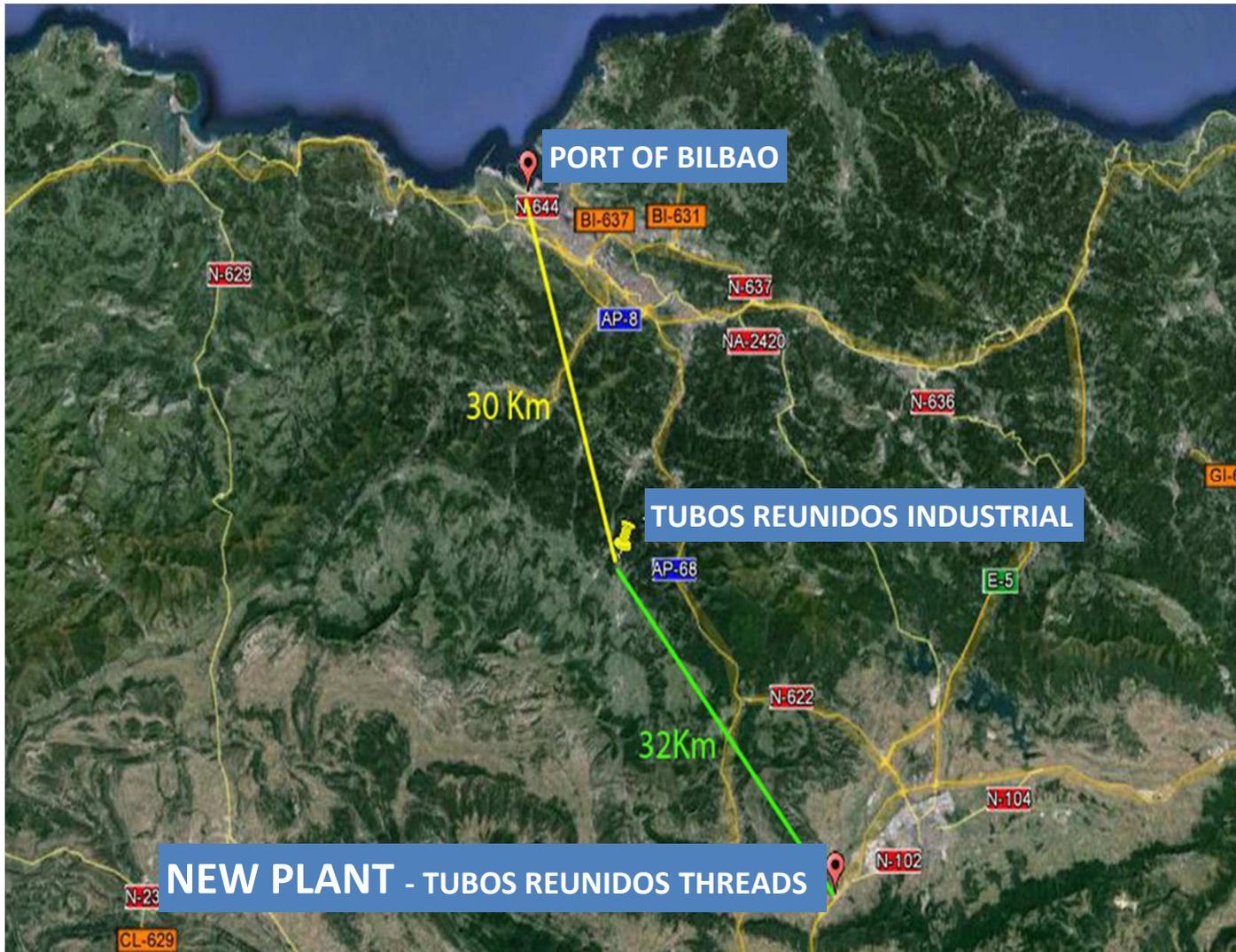
JFE Steel Corporation

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



- ✓ **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

November 2015



Strategic Plan - OCTG

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

TR – MISI - JFE

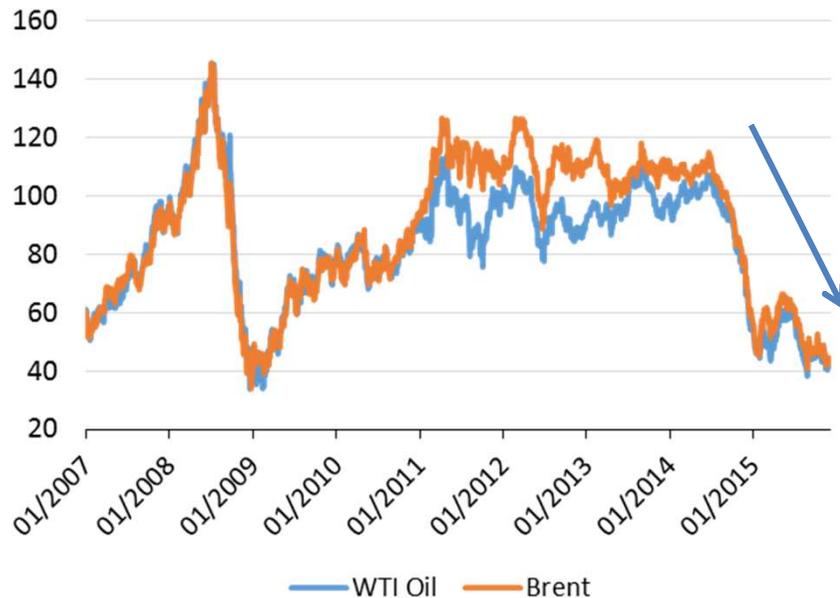
- ✓ Obtain own threading capabilities
- ✓ Premium Connections for TR's pipes
- ✓ Stronger capabilities to our current markets
- ✓ Access to new geographic markets outside of USA
- ✓ Knowledge and technical support for further develop new products

TR – MISI – JFE: Stronger capabilities in OCTG

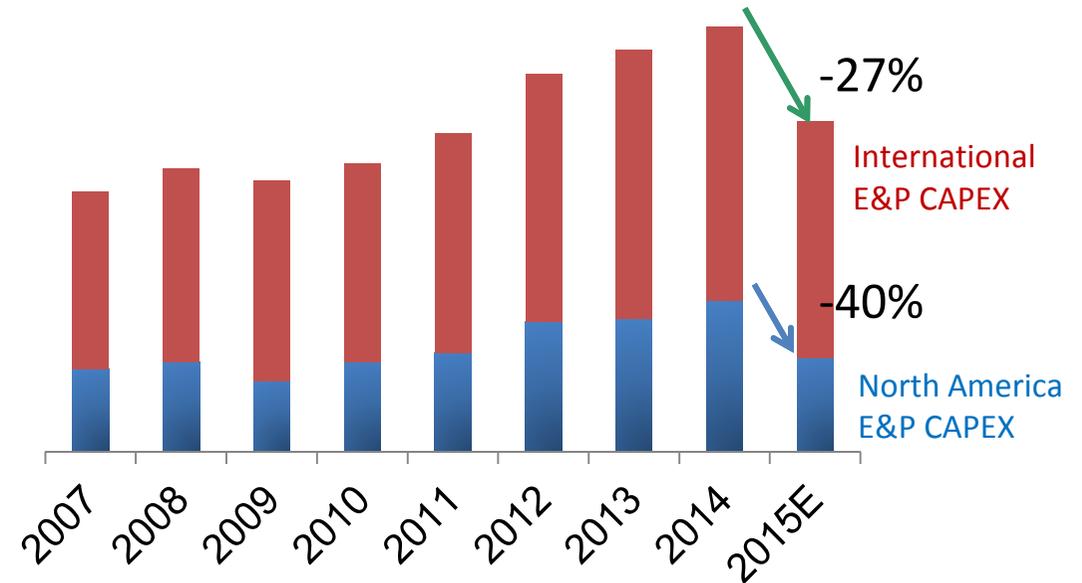
4. Market Contest & Financial highlights

- **Sharp decrease in oil prices** since mid 2014 is leading to a strong reduction in drilling programs and in oil&gas exploration and production investment

Oil Price evolution (USD)



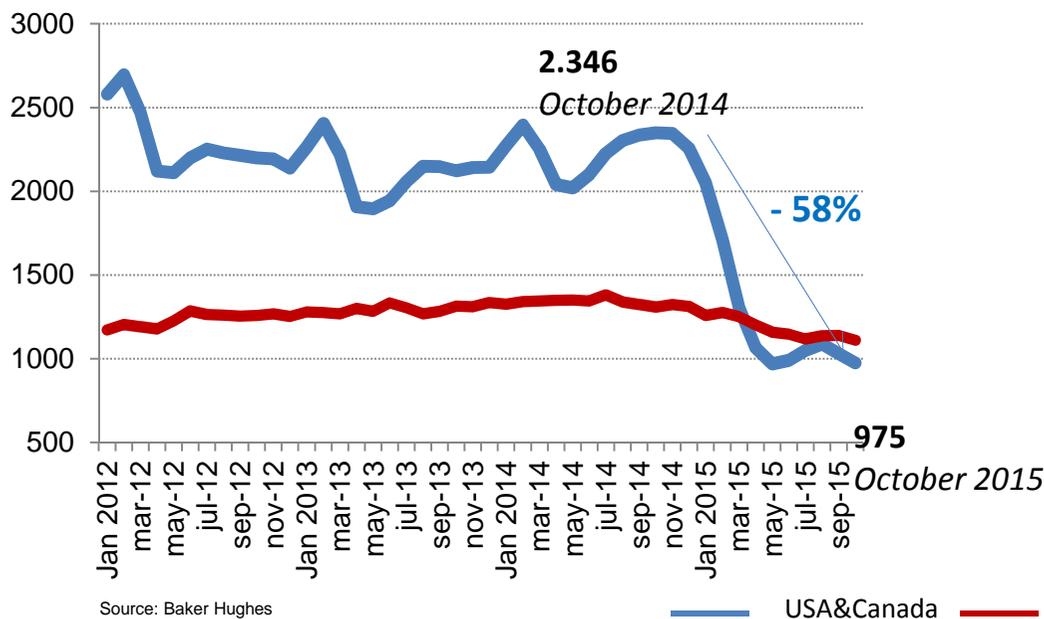
Global E&P CAPEX, US\$ bn



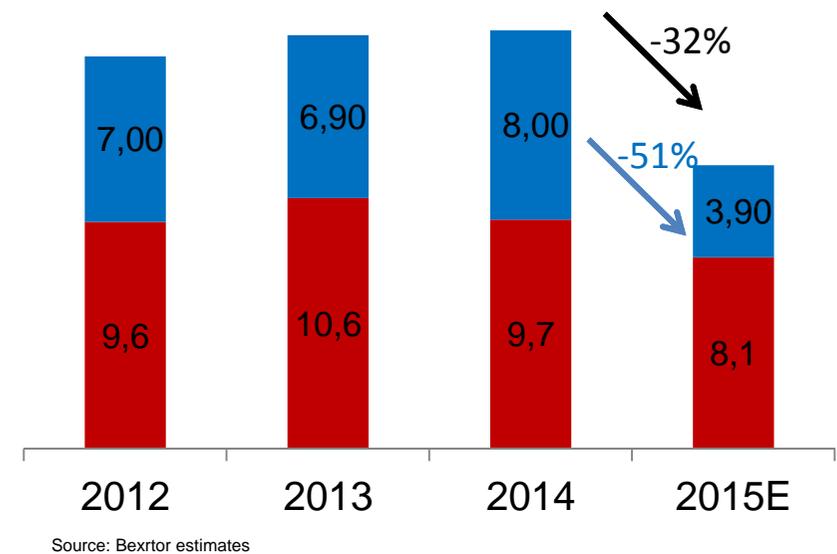
Seamless Steel tubes sector marked by severe oil price drop and major E&P capex cuts

- **Significant negative impact in seamless steel tubes for oil&gas, OCTG demand, also amplified by inventory adjustments**
- Reaction has been sharper in North American due to short-run responsiveness of shale oil to price changes due to short time lag between investment decisions and production as well as high decline rates
- **Increase in global competition for seamless steel tubes in all market segments**

Total rig count



Global OCTG consumption



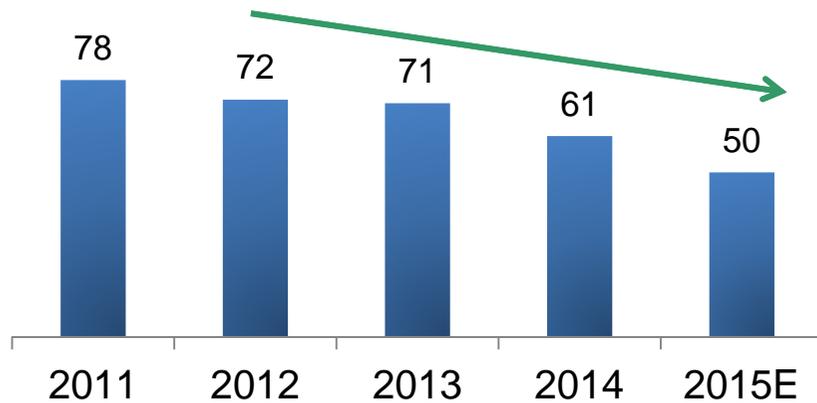
Higher declines in production and investment and OCTG demand have taken place in North America

US Shales productivity improvement

November 2015

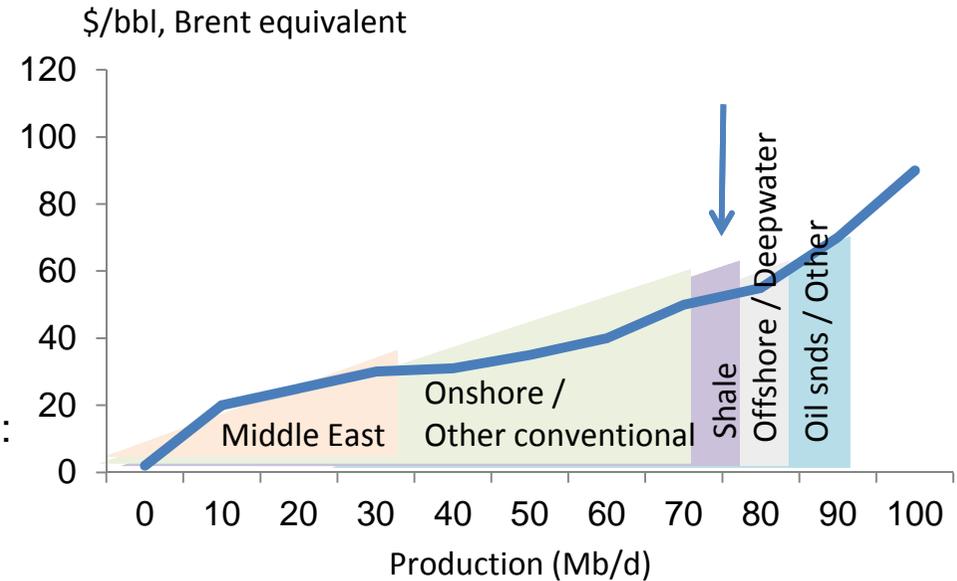


Lower breakeven prices at US shales (USD WTI)



- There's still room for further productivity improvements:
 - Higher number of wells per rig
 - Lower number of drilling days per well
 - Higher production per well: Increased reservoir contact, with longer laterals and Improved drilling / fracking quality, refracking, ...
- Penetration of new techniques across basins

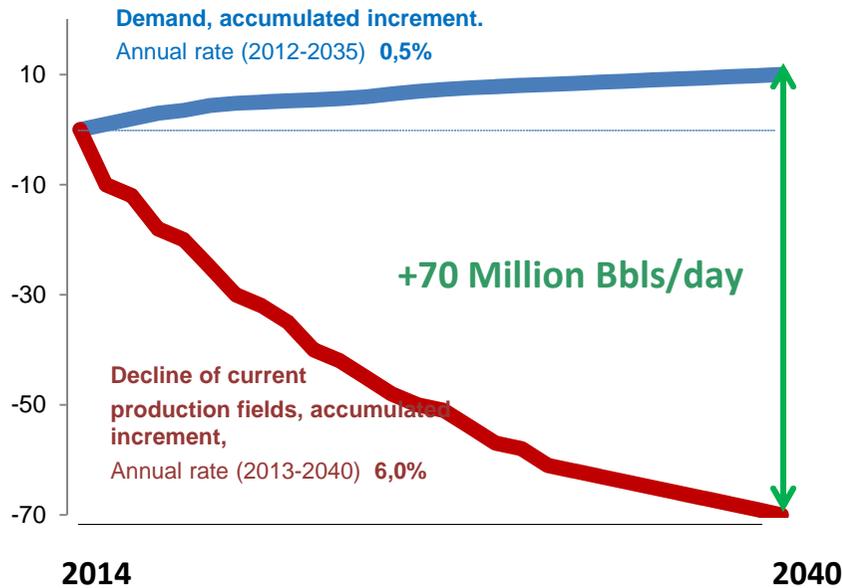
Stylised oil production cost curve



- The majority of US shale oil lies somewhere broadly in the middle of the aggregate cost curve

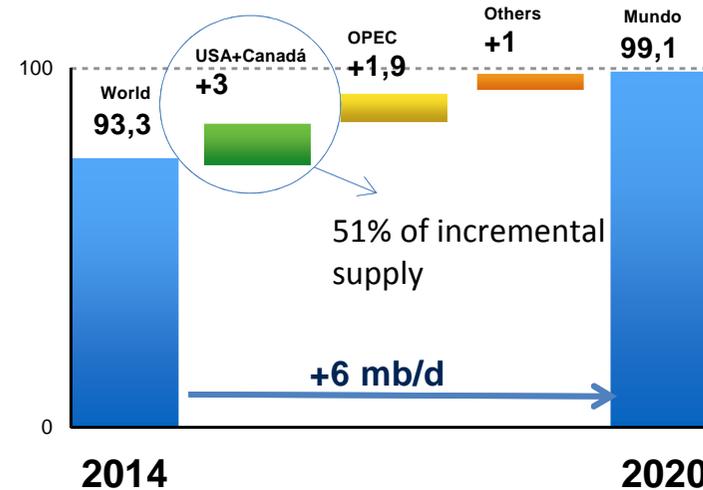
US shale breakeven are falling rapidly and there is room for further improvements

2014-2040: oil global production



Source: EIA

2014-2020 producción global de petróleo, mb/d



Source: IEA (International Energy Association)
Medium-Term Market Report February 2015

- With current efficiency gains US shale should be a top source of incremental supply required to meet demand: 51% as per AIE estimates

As per current oil reserves in production get exhausted, oil investments need to be reactivated to meet demand – US Shale should be faster to come back on the rebound vs. other uneconomic and long lead time projects

Impact in Tubos Reunidos activity in the short term

November 2015



Consolidated ('000 EUR)	Q3 2015	Q3 2014	% var	9M 2015	9M 2014	% var
Revenue	74.096	92.665	(20,0%)	275.670	299.888	(8,1%)
EBITDA *	3.612	6.460	(44,1%)	19.503	31.086	(37,3%)
% o. sales	4,9%	7,0%		7,1%	10,4%	
EBIT	-7.698	1.385		-7.472	11.268	
Profit for the period	-6.500	647		-8.487	5.079	
Adjusted profit for the period*	-2.228	647		-4.215	5.079	

Note *: Excludes impact of the impairment accounted in 3Q 2015 of the Group's stock in the US for a value of 5.933 ('000 Euros) before taxes

- Consolidated sales in 9M 2015 holded affected by strong decrease in activity in oil&gas segment in Northamerica as well as by strong competition and lower prices in other market segments.
- Profitability impacted by production inefficiencies resulting from low utilization of production capacity and an extraordinary provision accounted in 3Q 2015 due to the impairment of inventory realisable value in Northamérica amounting to €5.9 million before taxes.
- TR in the process of implementing all necessary temporary flexibility measures to adapt cost to current activity levels and an action plan aimed at reducing structural costs by around 15 million euros by 2017.

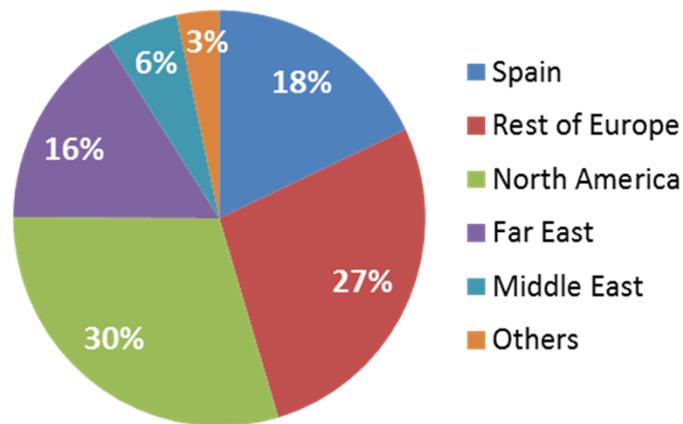
9M 2015 results affected by the fall in the oil price
Temporary and structural measures under implementation to improve competitiveness and cash generation capabilities

Seamless Steel Tubes sales: 9m 2015 (Eur Million)

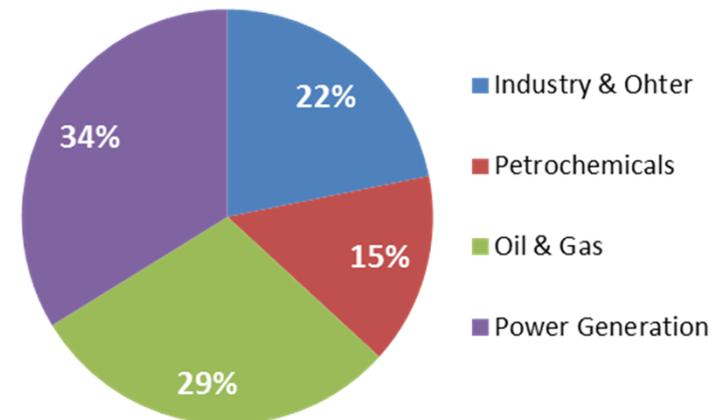
November 2015



Sales by geographic market, % in millions of Euros



Sales by Sector, % in millions of Euros



- Sales of seamless pipes in the energy production, petrochemical and construction and mechanical sectors increased as a whole in the first nine months of the year, mainly supported by higher specialty products. However, this growth did not offset the decline in sales in the oil and gas sector.
- By geographical areas, the good performance of sales in Spain and the Far East mitigated the lower sales in North America as well as in the Middle East, where there were delays in the awarding of projects in the period.

Reaffirmation of TR's strategy: strengthening international business development, focusing on high value added products

Activation of a competitiveness plan to emerge strengthened when market normalizes

Diversification: Growth in new markets and products
- enlarged portfolio already industrialized & MISI agreement



Focus on cash:
Growth capex finished - Working Capital optimization potential

Further strengthening the Group's financial strength to come through the crisis & Compromise with debt reduction

TR: implementation of temporary and structural measures to rebalance results and emerge strengthened when market normalizes

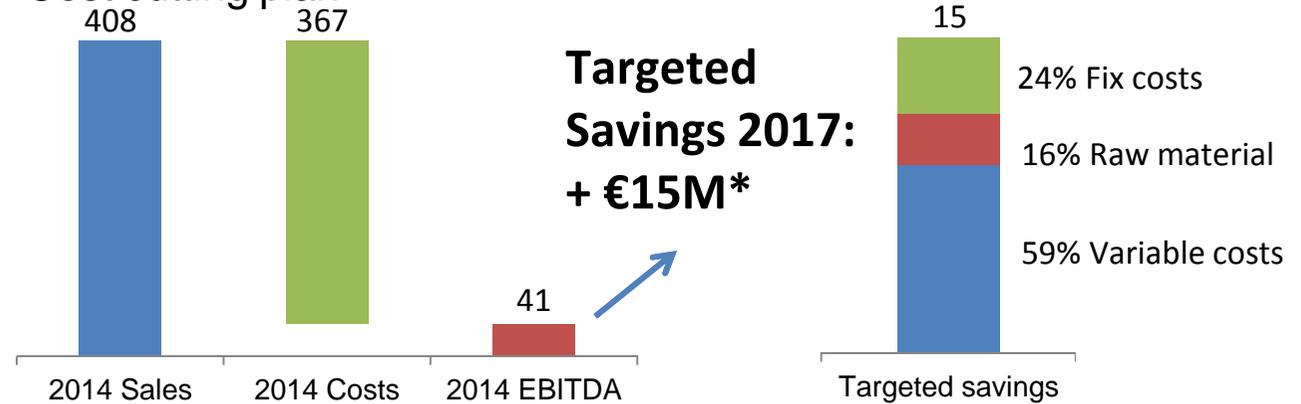
Temporary and Structural Managing measures

Temporary and Structural measures:

Efficiency Program & Cost cutting plan

New organizational structure

- Actions for a short term adaptation of small diameter tubes mill to low activity levels
- Progress in learning curve of new investments and products
Optimization of all operational processes and overhead structures
- Cost cutting plan



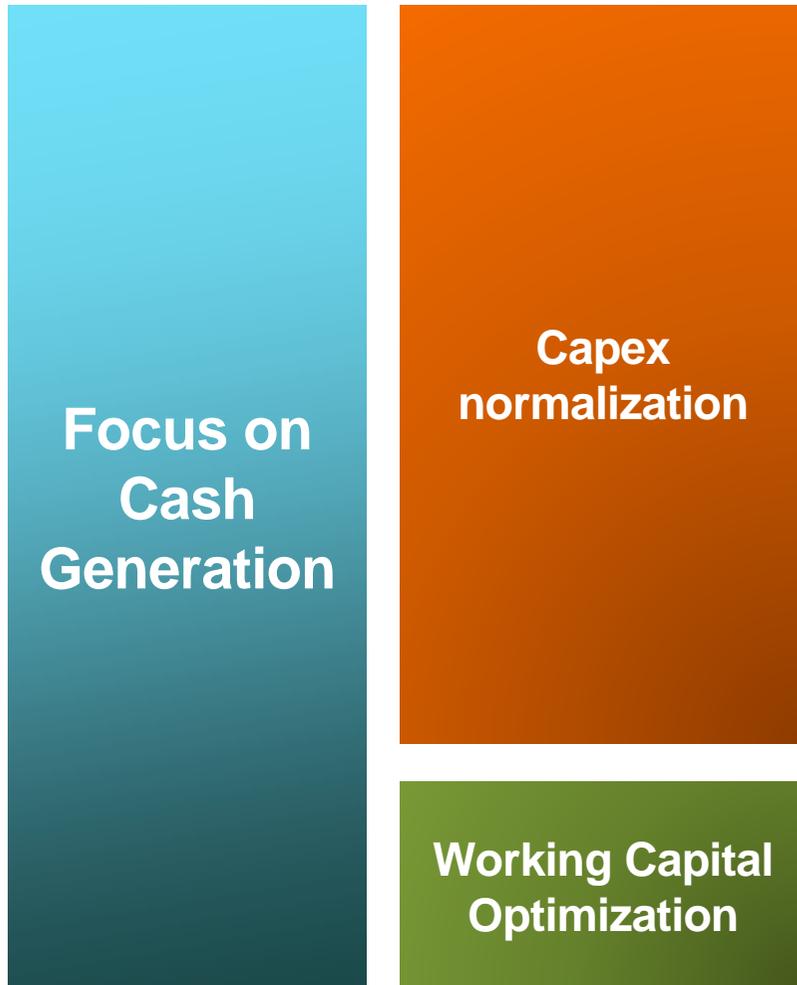
* Assuming same volumes & cost base as in 2014

- Group structure unification
- Decision processes optimization
- Cultural change towards a greater integration to bring out commercial and operational synergies

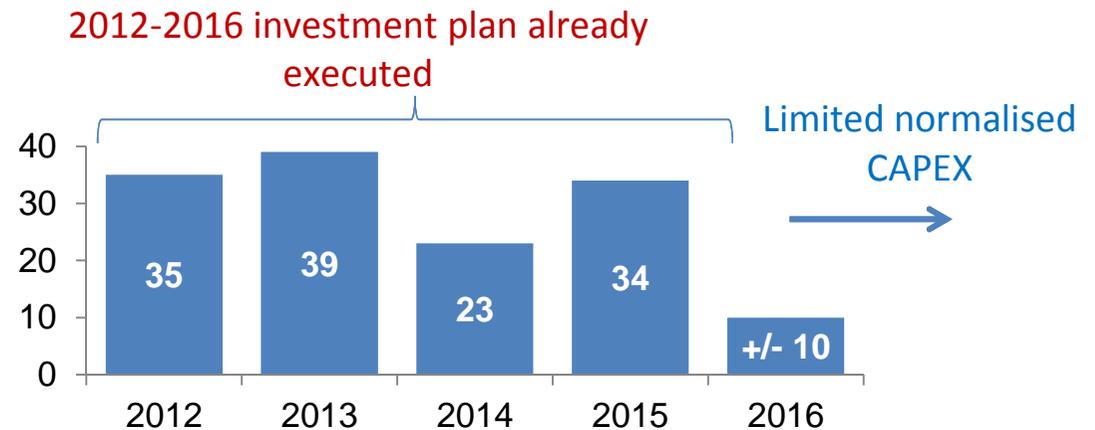
Competitiveness plan: Structurally reduce cost base and improve efficiency

Temporary and Structural Managing measures

November 2015



- 2016 CAPEX reduction once the investment plan has already been executed:
 - New products already industrialized
 - New threading plant (MISI) finalized in 1H 2016
- Limited normalized CAPEX in 2017

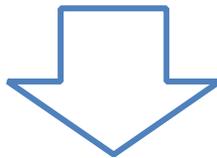


- Tight working capital management:
 - inventories reduction & plants layout optimization & bottle necks elimination

Compromise with debt reduction

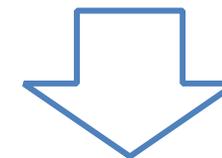
Growth in new high value added products and geographic markets diversification

- **TR counts with an enlarged high value added portfolio of products:** new products targeted in the strategic plan already industrialized



- Large outside diameters tubes for power generation and petrochemical sectors
- Quenching and tempering, High collapse, High chrome alloys, Proprietary steel grades
- Offshore linepipes
- High chrome alloys, special lengths

- **Strategic agreement with Marubeni Itochu Steel and JFE** signed in November 2014: new plant will start production in first half of 2016



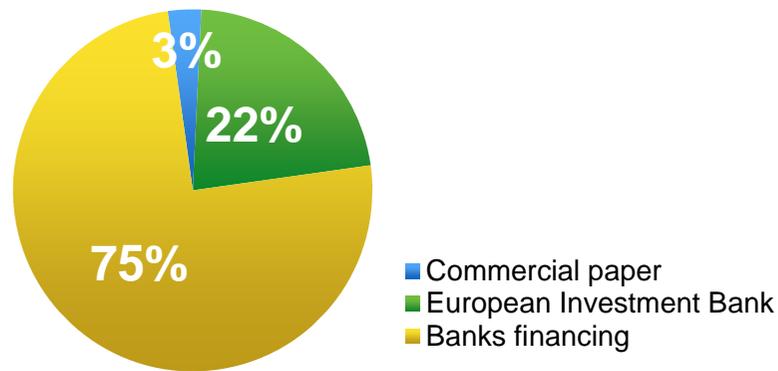
- Access to new geographic markets with new high value added products: Middle East, North Africa, South East Asia among others

Financial Structure, (Eur Million)

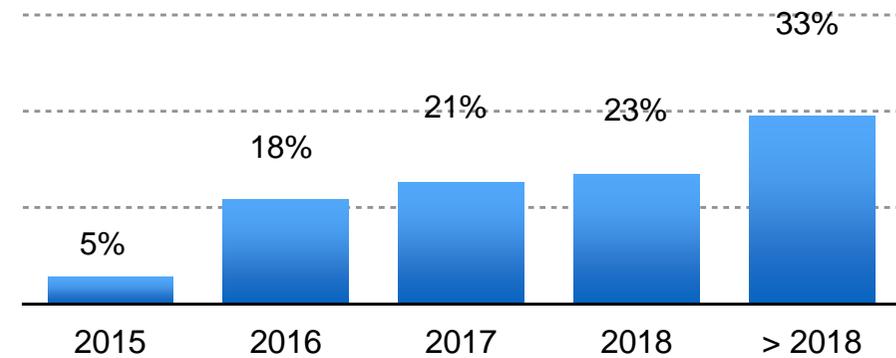
November 2015



Financial Structure, Gross Debt 30/09/2015



Debt maturity, % over total gross debt, at 30/09/2015



- Solid long term financial debt structure: 77% of gross borrowing at 9M 2015 with a maturity date of over fifteen months
- Strengthening of the financial structure and optimization of the financing conditions of the Group during 2014 and 9M 2015
- Lines of credit secured but not drawn down stand at 75 million euros.

Robust long-term debt structure

Consolidated Group Financials, (Eur Million)

November 2015

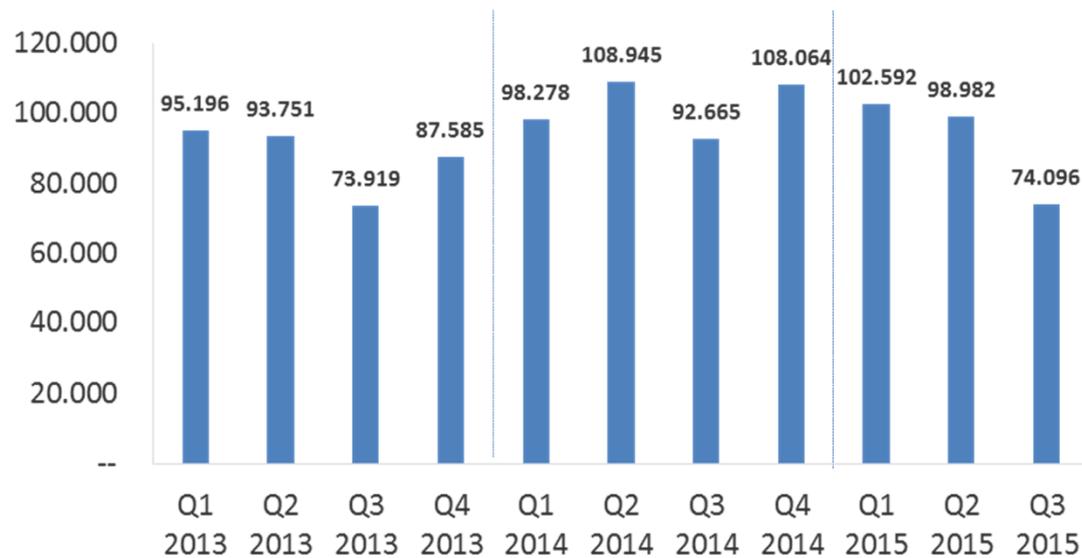


CUENTA DE RESULTADOS, Miles de Euros	FY 2014	FY 2013	9M 2015	9M 2014	9M 2015 / 9M 2014
Importe Neto Cifra de negocios	407.952	350.451	275.670	299.888	(8%)
Variación de Existencias	18.993	1.963	(3.582)	4.434	
Aprovisionamientos	(217.285)	(161.781)	(132.454)	(150.773)	
Gastos de personal	(101.296)	(95.952)	(75.486)	(75.546)	
Otros Gastos de explotación	(86.254)	(77.819)	(56.400)	(59.018)	
Otros ingresos y beneficios de explotación	19.263	25.375	11.755	12.101	
EBITDA *	41.373	42.237	19.503	31.086	59%
Provisión por deterioro de existencias			(5.933)		
Dotaciones Amortizaciones Inmovilizado	(26.361)	(24.686)	(21.042)	(19.818)	
EBIT	15.012	17.551	(7.472)	11.268	(251%)
Resultados financieros	(8.827)	(11.429)	(5.032)	(6.153)	
Resultado Antes de Impuestos	6.185	6.122	(12.504)	5.115	(141%)
Impuesto sobre Beneficios	1.266	49	4.829	141	
Resultado Consolidado del ejercicio	7.451	6.171	(7.675)	5.256	
Resultado Socios Externos	(372)	472	(812)	(177)	
Resultado del Ejercicio	7.079	6.643	(8.487)	5.079	(160%)
Resultado del Ejercicio Ajustado*			(4.215)	5.079	(220%)

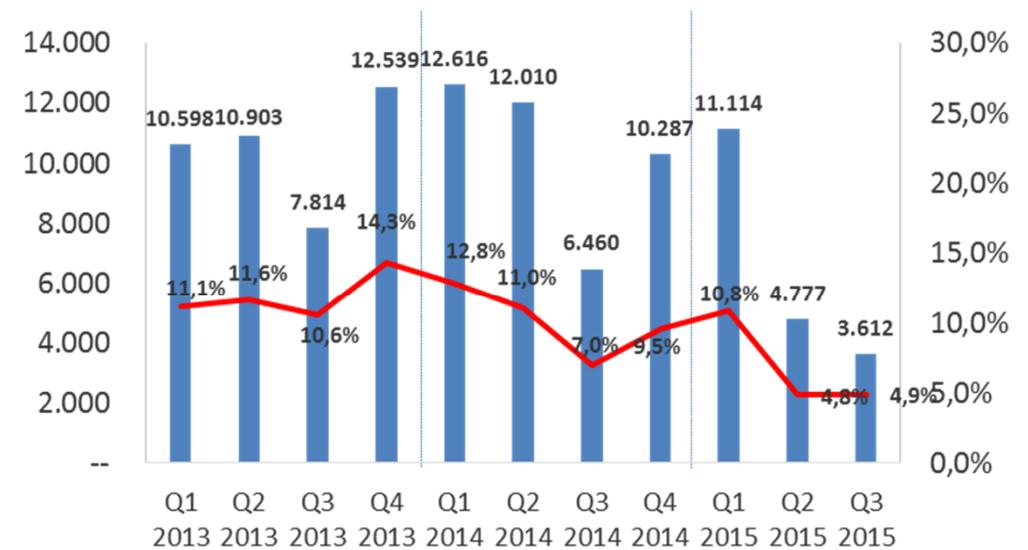
Nota *: Excluye el impacto de la provisión por deterioro de las existencias en USA dotada en 3T de 2015 por valor de 5.933 Miles de Euros antes de impuestos

BALANCE, Miles de Euros	3T 2015	4T 2014	4T 2013
ACTIVOS NO CORRIENTES	436.548	417.639	411.801
Existencias y Clientes	177.560	215.491	191.258
Efectivo y otros medios líquidos equivalentes	26.725	24.454	25.798
ACTIVOS CORRIENTES	204.285	239.945	217.056
Activos mantenidos para la venta	4.466	4.599	4.836
TOTAL ACTIVO	645.299	662.183	633.693
PATRIMONIO NETO	251.452	260.936	246.037
INGRESOS A DISTRIBUIR EN VARIOS EJERCICIOS	14.816	12.469	10.946
Provisiones no corrientes	2.630	3.622	15.183
Deudas con entidades de crédito	175.223	155.640	169.054
Otros pasivos no corrientes	65.025	51.548	55.656
PASIVOS NO CORRIENTES	242.878	210.810	239.893
Provisiones a corto plazo	6.145	8.249	6.997
Deuda con entidades de crédito	32.180	40.436	38.568
Otros pasivos corrientes	97.828	129.283	91.252
PASIVOS CORRIENTES	136.153	177.968	136.817
Pasivos mantenidos para la venta	--	--	-
TOTAL PASIVO	645.299	662.183	633.693

Consolidated Revenue Millions of Euros

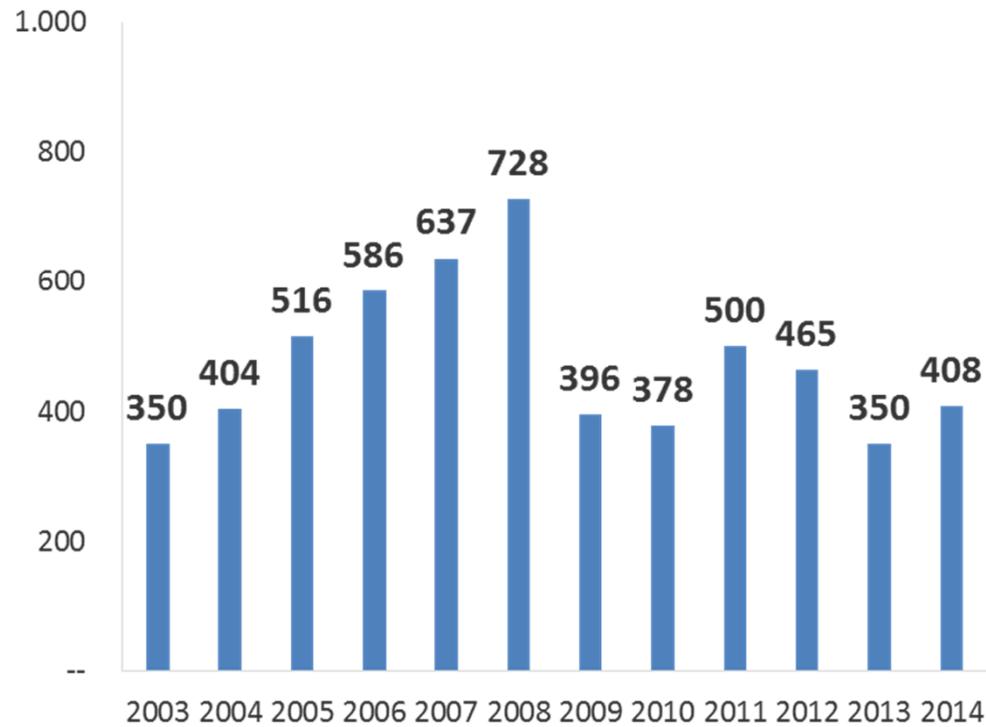


Consolidated EBITDA and EBITDA Margin Millions of Euros; % of revenue



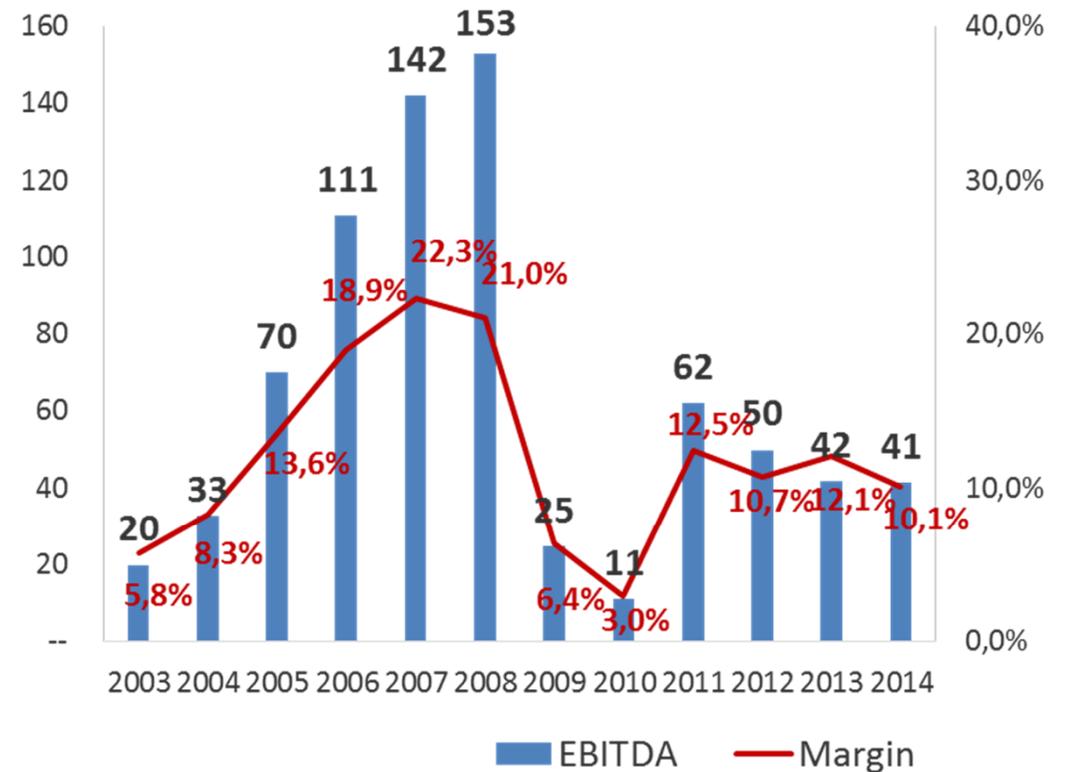
Consolidated Revenue

Millions of Euros



Consolidated EBITDA and EBITDA Margin

Millions of Euros; % of revenue





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