

APPROVED
by the General Meeting of Shareholders
of PAO TMK
on 8 June 2016
(Minutes of Meeting No. w/o of 9 June 2016)

ANNUAL REPORT 2015

DRIVING DEVELOPMENT



CONTENTS

1. TMK PROFILE	3
2. LETTER TO SHAREHOLDERS	4
3. KEY EVENTS	6
4. COMPANY OVERVIEW	10
4.1. Key Indicators	11
4.2. Business Development	12
4.3. Asset Structure and Geography	13
4.4. Strategy and priority activities	14
4.5. TMK's Market Position	15
4.6. Russian Pipe Market	18
4.7. North American Market	25
4.8. European Pipe Market	27
4.9. Middle East Market	28
4.10. Premium connections and oilfield services	29
4.11. R&D Initiatives and Cooperation	34
4.12. Capital Expenditures	37
5. COMPANY'S SECURITIES	40
5.1. Share Capital and Dividends	41

6. COST OPTIMISATION AND LIQUIDITY MANAGEMENT	43
7. CORPORATE GOVERNANCE REPORT	47
7.1. PAO TMK Board of Directors' statement of compliance with the corporate governance principles set out in the corporate governance code recommended by the Bank of Russia to issuers of listed securities	48
7.2. PAO TMK's corporate governance structure	50
7.3. Rights and equitable treatment of shareholders	51
7.4. Board of Directors	52
7.5. Committees of the Board of Directors	61
7.6. Assessment of the Board's Performance	66
7.7. Executive Management	67
7.8. Information Policy and Disclosure	72
7.9. Risk Management and Internal Control	73
8. CORPORATE CITIZENSHIP	80
8.1. Human Resources and Social Policy	81
8.2. Occupational safety	86

8.3. Environmental management	87
8.4. Sponsorship and charity	91
Energy consumption by TMK and its subsidiaries in 2015	94
9. MD&A	95
Executive overview	97
Business structure	98
Results of operations	99
Sales	100
10. CONSOLIDATED FINANCIAL STATEMENTS	118
Major transactions and related-party transactions	119
Glossary	132
Contacts	134



1.

TMK PROFILE

30

production assets

in Russia, the United States,
Canada, Oman, Romania and
Kazakhstan

3.9

million tonnes

TMK's pipe sales
volume in 2015

80

countries

are consumers
of TMK products

TMK is one of the world's leading producers and suppliers of steel pipe for the oil and gas industry. The Company's shares are traded on the London Stock Exchange, Moscow Exchange and the OTCQX trading platform in the United States.

The Company was founded in 2001 and currently integrates about 30 production assets in Russia, the United States, Canada, Oman, Romania and Kazakhstan. TMK's core business is the production and sales of seamless and welded pipe, including large diameter pipe, pipe with premium connections, combined with an extensive range of services in heat treatment, protective coating, premium connections threading, pipe storage and repairing.

TMK consists of Russian pipe production sites: Volzhsky Pipe Plant, Seversky Tube Works, Sinarsky Pipe Plant and Taganrog Metallurgical Works; twelve production facilities in the United States and Canada, owned by TMK IPSCO; TMK-ARTROM and TMK-RESITA in Romania; and TMK GIPI in Oman. The Company also owns four oilfield service assets in Russia, incorporated in TMK Oilfield Services division, TMK-Kaztrubprom (Kazakhstan), and pipe servicing, oil and gas accessory production and well completion assets located in the U.S. In February 2015, to ensure a complete scrap supply cycle at TMK's Russian facilities, the Company acquired a leading player in the Russian ferrous steel scrap market, ChermetServis-Snabzhenie (TMK CHERMET).

TMK's two research centres, the Russian Research Institute for the Tube and Pipe Industries (RosNITI) in Chelyabinsk (Russia) and R&D centre in Houston (USA), are involved in new product design and development, experimental and validation testing, and advanced research. To foster innovation and boost its R&D potential the Company set up an R&D facility in the Skolkovo Innovation Centre (Russia).

Consolidation of production assets across the globe, scientific and engineering innovations, and a geographically diversified sales network have allowed the Company to create a modern vertically integrated industrial group manufacturing and supplying high-tech, competitive pipe products.

TMK's unique production and service capabilities ensure supply to a wide range of customers and offer effective solutions to their operational challenges. In 2015, TMK's pipe sales totalled 3.9 million tonnes supplied to customers in over 80 countries.



2.

LETTER TO SHAREHOLDERS



CHAIRMAN OF PAO TMK'S
BOARD OF DIRECTORS
Dmitry PUMPYANSKIY



CEO OF PAO TMK
ALEXANDER SHIRYAEV

DEAR SHAREHOLDERS,
DEAR FRIENDS,

Let me summarise TMK's performance in 2015 and outline the key areas of development that TMK will focus on in 2016.

In 2015, TMK shipped a total of 3,873 thousand tonnes of steel pipe, for the seventh consecutive year, since 2009, maintaining its leadership as the world's largest manufacturer of tubular products.

This achievement is particularly important given the challenging market conditions resulting from falling oil prices, which have had an adverse impact on business volumes of our American division. Despite the shrinking North American OCTG market, we have succeeded in maintaining our market share from 2014. Conditions in the European market have also been mixed; however, even in this challenging environment, TMK's European division has shown strong performance.

Oil production in Russia has grown, placing the country at the top of the global league table of oil producers. With drilling volumes increased slightly over 2014, the Russian OCTG market has grown and TMK has successfully captured this opportunity to gain an additional market share in this segment. The implementation of trunk pipeline construction projects by Gazprom has driven the consumption of large-diameter pipe (LDP), with TMK increasing its LDP shipments by 36% and growing its market share in the segment to 18%.

Our Russian division has fully met its targets, with TMK growing its overall share of the Russian steel pipe market by 1%, to 25.2%.

TMK's weaker financial performance in 2015 was mostly due to a falling demand in the North American pipe market and the weakening rouble. At the same time, the local currency depreciation, coupled with the strong performance shown by TMK's facilities, reduced working capital, and overall capex reduction, helped bring TMK's net debt down to approximately USD 2.5 billion, from USD 2.97 billion, ensuring continued deleveraging even in volatile markets.

The successful completion of TMK's Strategic Investment Programme has significantly expanded our capabilities in manufacturing high-quality tubular products, giving TMK a clear edge in a new reality of record-low oil and commodity prices. Our ability to deliver packaged shipments of tubular products for use in oil and gas wells, our in-house R&D platform and testing facilities, and our wealth of knowledge and expertise make us well-positioned to reinforce TMK's industry leadership in technology.

To feel confident in the current market landscape we need to focus most on continuous, well-targeted consumer work. We know what our customers need today and already have a clear understanding of their product requirements several years down the road.

Demand for our capabilities in the development and roll-out of innovative tubular products has proved particularly strong in the segments where import substitution initiatives are implemented in Russia. As many foreign suppliers have left the Russian market, it opened up

During **15** years

the company that emerged as a result of a merger between two Russian plants has grown into a global pipe producer comprising over 30 facilities across different continents

75%

TMK's share of the market for premium tubular products, due to active involvement in import substitution programmes

some niches that had previously been inaccessible for us due to different reasons. Today, our Russian facilities pursue joint projects with Russian oil & gas majors to supply tubular products for fields in the Russian Arctic, fields with heavy oil or corrosive environments, etc. In 2015, we shipped large batches of innovative tubular products with TMK UP premium threaded connections to projects operated by Gazprom, Rosneft, Lukoil, and others. Our sales of premium tubular products with GreenWell dope-free coating have increased five-fold, with these products used for the first time in an offshore well. As part of Gazprom's import substitution programme, we designed and supplied, specifically for its Astrakhanskoye field, H₂S resistant pipes. Despite lower consumption of premium threaded connections in 2015, TMK's share of the market for premium tubular products has grown to 75%, due to our active involvement in import substitution programmes.

A major milestone was the signing of a RUB 50 billion eight-year contract with Gazprom to supply "the next thing", our new innovative tubular products. Memoranda were also signed to supply premium products to Rosneft's offshore projects and pursue cooperative projects with Sakhalin Energy. As the fields oil & gas companies need to develop become increasingly challenging with every passing year, we are already fully aware of their future product requirements to support their production plans.

We have many areas to focus on in 2016. We continue LDP shipments for Gazprom's trunk pipeline projects,

and deliver large contracts for the supply of tubular products to support production, exploration and drilling programmes of oil majors. We need to further diversify our sales channels, streamline manufacturing processes, and cut production costs.

As we celebrate the Company's 15th anniversary in 2016, we will use this milestone to take stock of our achievements, review our progress, and chart plans for the future. Looking back, our strong performance once again confirms the success of our strategy, which enabled the company that emerged as a result of a merger between two Russian plants to grow into a global pipe producer comprising over 30 facilities across different continents. We have gained a wealth of knowledge and expertise. We have a skilled workforce and a close-knit team. Over the past few years, we have made steps to grow TMK into a robust business resilient enough to face the challenging times we now live in. This allows us to look to the future with optimism and feel confident that we can drive TMK's performance and success even further.

Dmitry PUMPYANSKIY
Chairman of PAO TMK's Board of Directors

Alexander SHIRYAEV
CEO of PAO TMK



3. KEY EVENTS

2015

FEBRUARY

TMK acquired a 100% interest in ChermetServis-Snabzhenie, a leading player in the Russian ferrous steel scrap market. The deal value totalled about RUB 2.73 bn. ChermetServis-Snabzhenie (currently TMK CHERMET) is the key scrap supplier to TMK's entities.

TMK and Gazprom Neft signed a technological partnership programme for 2015–2017. TMK and Gazprom Neft will support conceptual engineering for

well completion equipment and technologies at the Chona Group and the Kuyumbinskoye field.

On 11 February 2015, TMK redeemed its 5.25% GDR convertible bonds due 2015, each representing four ordinary shares of TMK. To redeem the bonds TMK used cash accumulated from operating and financial activities, including a four-year USD denominated credit facility from one of the leading Russian commercial banks.

MARCH

TMK shipped a batch of high-tech casing pipe to Tatneft to produce super-viscous oil at the Ashalchinskoye field in Tatarstan. The batch included casing pipe with TMK UP™ premium threaded connections.

TMK and Gazprom Burenie, one of the largest Russian drilling companies for construction of wells of all types, signed a strategic three-year contract for the supply of

drill pipe. TMK will be the company's leading supplier providing Gazprom Burenie with a comprehensive offering of drill pipe.

The Orsky Machine Building Plant, which is part of TMK Oilfield Services, commissioned a robotised forging facility to produce tool joint blanks, with an annual production capacity of 150 thousand blanks.

APRIL

TMK made first shipments of large diameter pipe (LDP) for Gazprom's Power of Siberia gas transmission system.

MAY

The Vozhsky Pipe Plant hosted a meeting between Gazprom and major Russian manufacturers of tubular products on cooperation in research and import

substitution. A particular emphasis was placed on matters related to accelerated introduction of innovative products and wider interaction with Gazprom.



2015

JUNE

TMK-ARTROM (Slatina, Romania) commissioned a shop to produce precision pipes used in the automotive industry and hydraulic cylinder manufacturing. The shop's total treatment capacity stands at 25 thousand pipes per year.

TMK's Meeting of Shareholders resolved not to pay annual dividends for FY2014 based on the Company's performance for the year.

JULY

The Company's full trade name was changed to Public Joint-Stock Company Pipe Metallurgical Company (PAO TMK).

TMK launched the construction of its R&D facility in the Skolkovo Innovation Centre. The facility will focus

on developing efficient technologies for production and transportation of hydrocarbons, and on delivering new solutions to improve energy efficiency in the iron and steel industry, as well as developing and certifying new premium connections.

SEPTEMBER

TMK supplied pipe with TMK UP FMT premium threaded connections to Lukoil Uzbekistan Operating Company, a subsidiary of Lukoil Overseas to develop the gas condensate fields of the Kandym Group located in the Bukhara-Khiva Region (southwest Uzbekistan).

The Company won Gazprom's tenders for supply of large batches of casing and tubing pipe with TMP UP premium

threaded connections, as well as line pipe. We made first supplies of T95SS-grade corrosion-proof casing pipe and C90SS-grade corrosion-proof tubing pipe which we started manufacturing as part of our import substitution programme.



2015

OCTOBER

TMK signed a partnership memorandum with Sakhalin Energy for tubular products with TMK premium threaded connections to be used at its Sakhalin-2 project. The memorandum also provides for qualification tests of TMK UP premium threaded connections for casing pipe from chrome, high-carbon and highly corrosion-resistant steel grades.

TMK and Gazprom signed a long-term agreement on integrated shipments of premium tubular products. The agreement will be effective for several years and provides for design, rollout, manufacturing, delivery and maintenance of tubular products. Shipments under the agreement include high-strength and special pipes with TMK UP premium threaded connections from carbon steel and alloyed steel and special alloys for operation in challenging climatic conditions and aggressive environments.

The extraordinary General Meeting of Shareholders of TMK resolved to pay out an interim dividend for the first six months of 2015 in the amount of RUB 2.42 (USD 0.04) per ordinary share of the Company, for a total of RUB 2.4 bn (or USD 39 m at the exchange rate applicable as of the resolution date).

The Company shipped premium tubular products with GreenWell lubricant-free coating to Lukoil-Nizhnevolzhskneft to be used at the Korchagin oil and gas condensate field in the Caspian Sea. This is the first project to use TMK's products with lubricant-free coating in an offshore well.

NOVEMBER

TMK won the Leaders in Corporate Philanthropy 2015 contest in the Concept and Strategy of Corporate Philanthropy category. The contest was held by the Donors Forum, the Vedomosti business newspaper and PwC, an international network of audit firms and consultancies. The Sinarsky Pipe Plant, Volzhsky Pipe Plant, and Seversky Tube Works were awarded certificates for debut contestants.



2015

DECEMBER

Dmitry Pumpyanskiy, Chairman of PAO TMK's Board of Directors, is included in the Top-25 list of Board of Directors Chairmen of Russian Companies, with the Company's four independent directors, Mikhail Alekseev, Peter O'Brien, Alexander Shokhin and Oleg Schegolev, included in the Top-50 Independent Directors list, as ranked by the Independent Directors Association (Russia).

TMK was ranked first among potential suppliers of tubular products for offshore drilling in the Tubular Products category at the Neftegazshelf 2015 conference.

TMK shipped a batch of vacuum insulated tubing to Gazprom Dobycha Yamburg to develop oil and gas condensate fields in the Yamal-Nenets Autonomous Area.

TMK signed a three-year agreement with Magnitogorsk Iron and Steel Works (MMK) to apply formula pricing to determine the price of wide hot rolled steel sheets shipped to TMK's plants.

On 29 December 2015, TMK signed a deal with VTB Bank to sell RUB 10 bn worth of shares in the Company.

2016

JANUARY

The Russian division of TMK set up a new unit, TMK-Central Asia, that includes TMK-Kazakhstan (Astana, former part of the production and commercial unit of the

Company) and TMK-Kaztrubprom (Uralsk, removed from TMK Oilfield Services).

FEBRUARY

TMK and Gazprom signed an Addendum that refines the LDP pricing formula. The refined pricing formula will factor in the costs of metal feedstock and materials, steel plate production and transportation costs, and LDP production cost. The LDP price calculated according

to the agreed formula will be determined on a quarterly basis.

TMK won the Compliance 2015 award.



4. COMPANY OVERVIEW

78% of TMK's total sales
made up of oil country
tubular goods

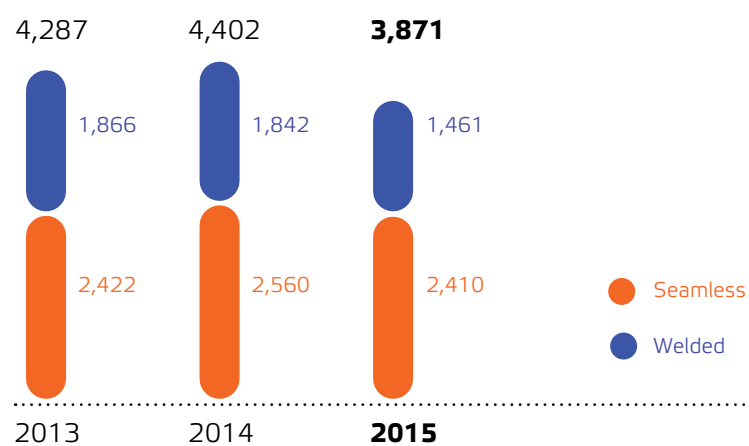
Since 2009, TMK has been the world's leading producer of steel pipe. The Company operates production facilities in countries that account for 81% of global oil and gas drilling



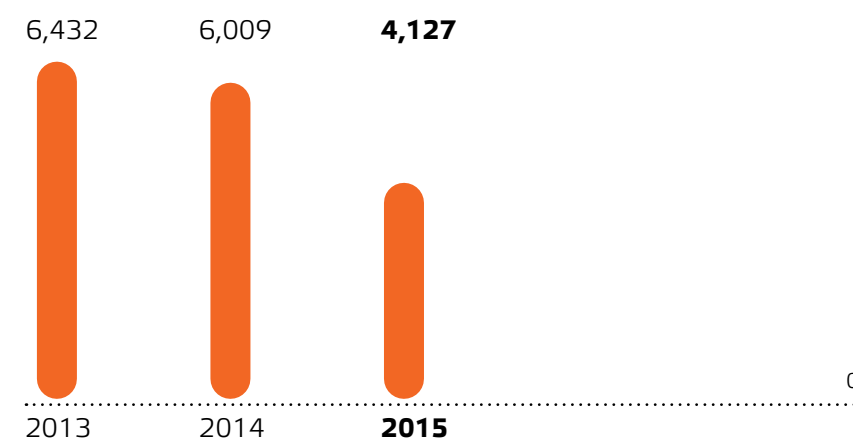
4.1.

KEY INDICATORS

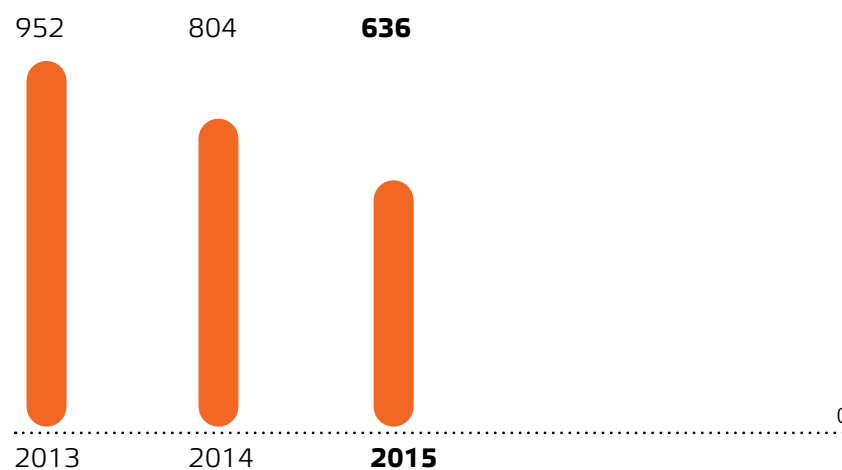
SALES, thousand tonnes



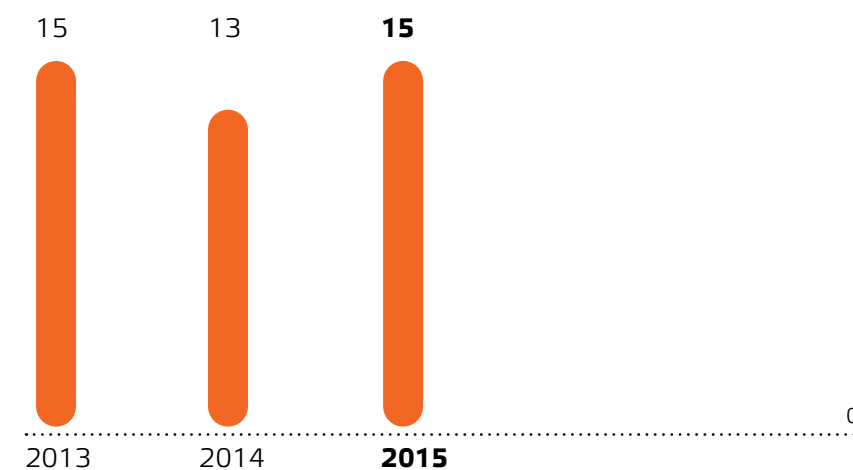
REVENUE, USD m



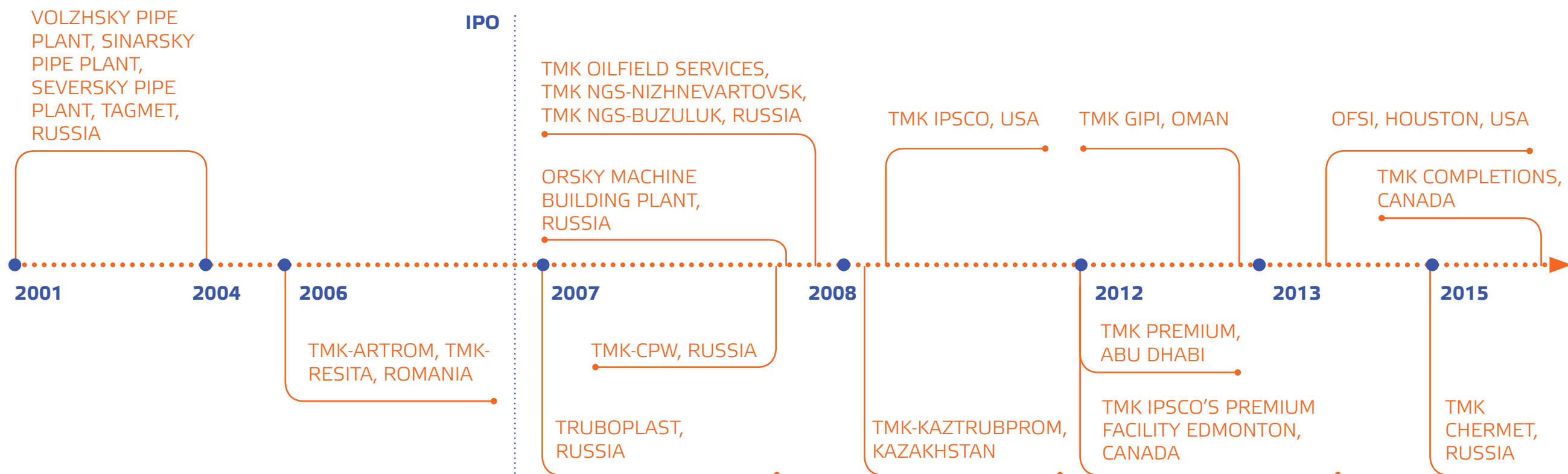
ADJUSTED EBITDA, USD m



ADJUSTED EBITDA MARGIN, %



4.2. BUSINESS DEVELOPMENT



TMK'S GROWTH HISTORY, 2001–2015

In February 2015, in line with its vertical integration strategy, TMK acquired Chermetservis-Snabzhenie (renamed TMK CHERMET), one of the leading players in the Russian ferrous scrap market. The acquisition will help TMK to ensure full scrap supply cycle for Russian plants and thereby guarantee feedstock security.

In July 2015, the Company's full trade name was changed to Public Joint-Stock Company Trubnaya Metal-lurgicheskaya Kompaniya (PAO TMK).

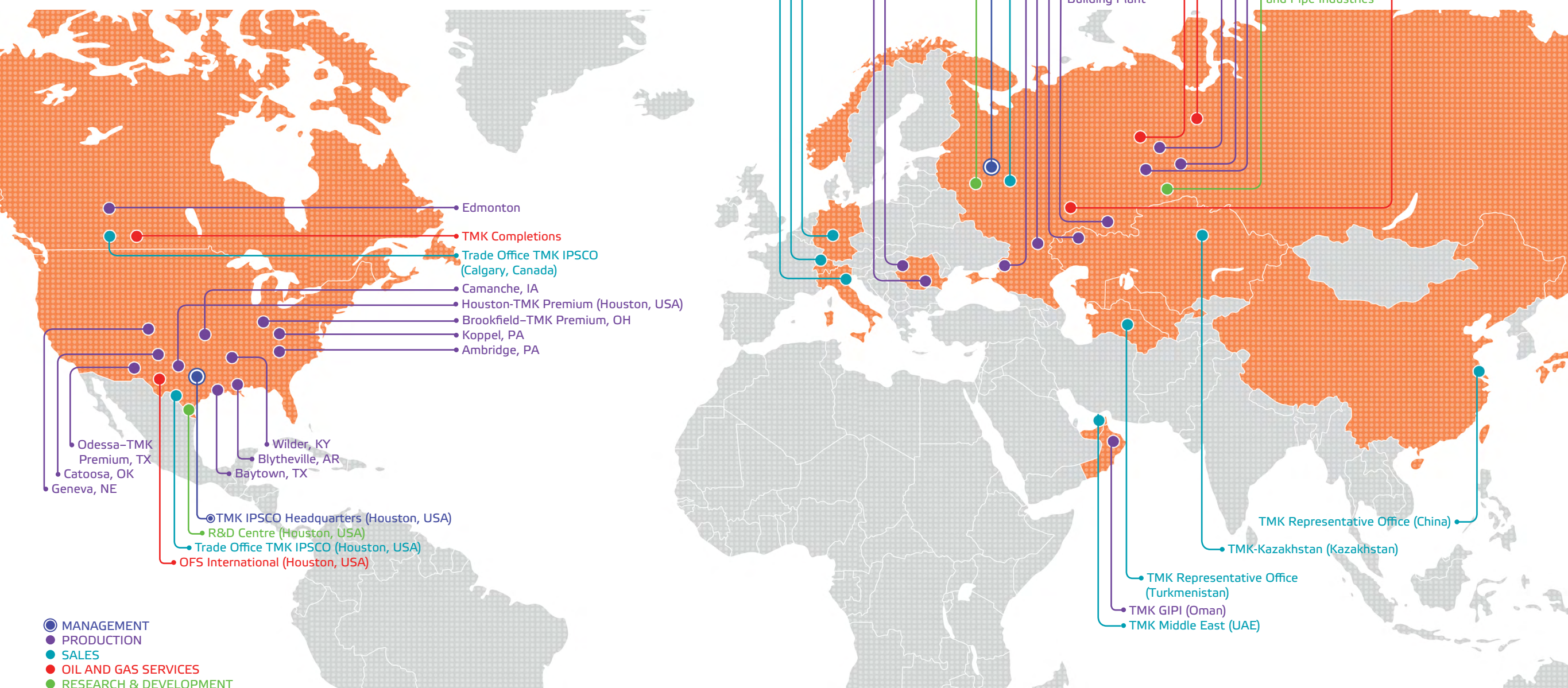
In December 2015, TMK signed a deal with VTB Bank to sell RUB 10 bn worth of shares in the Company. About 58.9 million shares will be delivered during 2016. Under the deal, TMK has the right to buy the shares back from VTB Bank.



4.3.

ASSET STRUCTURE AND GEOGRAPHY

THE COMPANY OPERATES MORE THAN 30 PRODUCTION SITES IN RUSSIA, THE UNITED STATES, CANADA, OMAN, ROMANIA AND KAZAKHSTAN



4.4. STRATEGY AND PRIORITY ACTIVITIES

In accordance with the strategy approved by the Board of Directors, TMK main areas of activity are the production and sales of tubular products in Russian, American and European markets.

In 2015, we had to operate in a challenging macroeconomic environment due to falling oil prices, the depreciating Russian currency and an adverse situation in the US pipe market. Imports of seamless OCTG were down from 23% to 9%, while TMK increased its market share from 61% to 65%. An even more significant success was achieved by the Company in the premium connections market, where our market share grew from 65% to 75% in 2015. The domestic demand for TMK products remains solid. Production rates in the Russian oil industry grew to a record high of 10.73 million barrels per day, while drilling activity increased 12% year-on-year. We continue the implementation of our import substitution initiatives. One example is an agreement we signed with Gazprom (valid until 2023) for the replacement of imported products used in gas field production for a total amount of 101 thousand tonnes. We also continue our involvement in Gazprom's projects related to gas supplies to China.

TMK completed the implementation of key phases under the Strategic Investment Programme, which enabled the Company to evolve into one of the most advanced production platforms in the global pipe market.

OUR CURRENT STRATEGIC GOALS INCLUDE:

- Capex reduction
- Performance improvement
- Opex reduction
- Deleverage to the level of Net Debt / EBITDA at 2.5x
- Product mix improvement, with a focus on high value-added products
- New premium product development and sales, with a view to import substitution in Russia's oil and gas industry and increase in the share of premium products in OCTG pipe shipments to over 30% by 2018 and
- Enhancement of oilfield services.

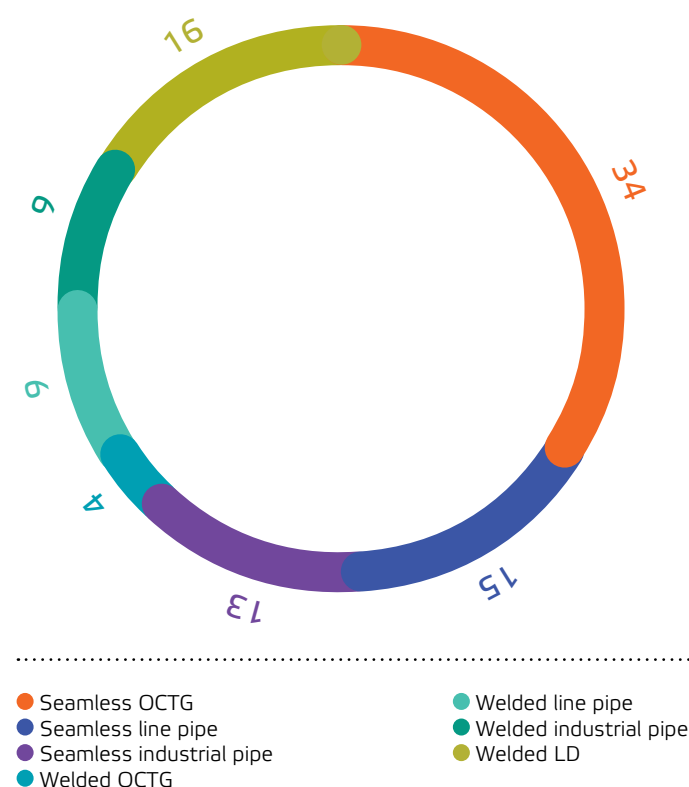
Despite an adverse situation in the US oil & gas and pipe markets, we intend to maintain our presence in this region. Our key focus will be on the seamless OCTG segment, and on premium connections for gas and oil fields.



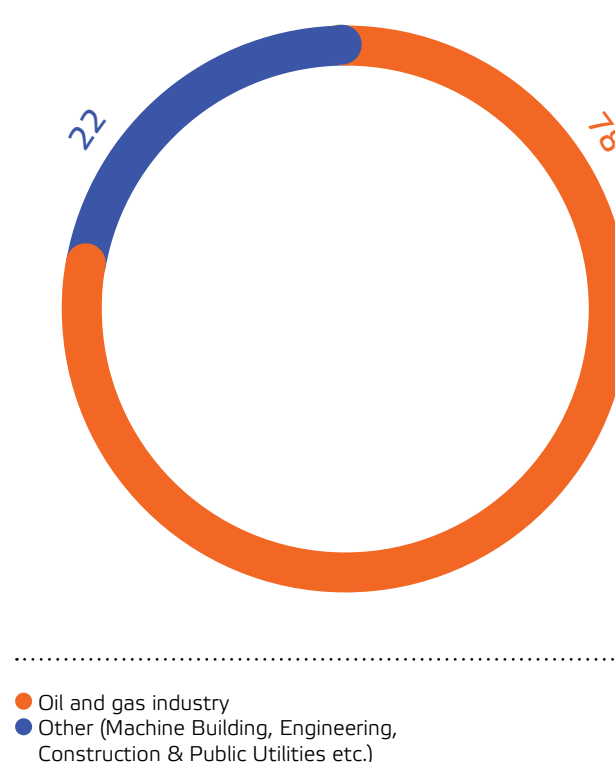
4.5. TMK'S MARKET POSITION

In 2015, TMK shipped a total of 3,871 thousand tonnes of steel pipe, down 12% year-on-year. This change was due to a considerable drop in sales by the American division amidst the adverse market environment in the USA.

2015 PRODUCT PORTFOLIO



2015 SALES BY INDUSTRY

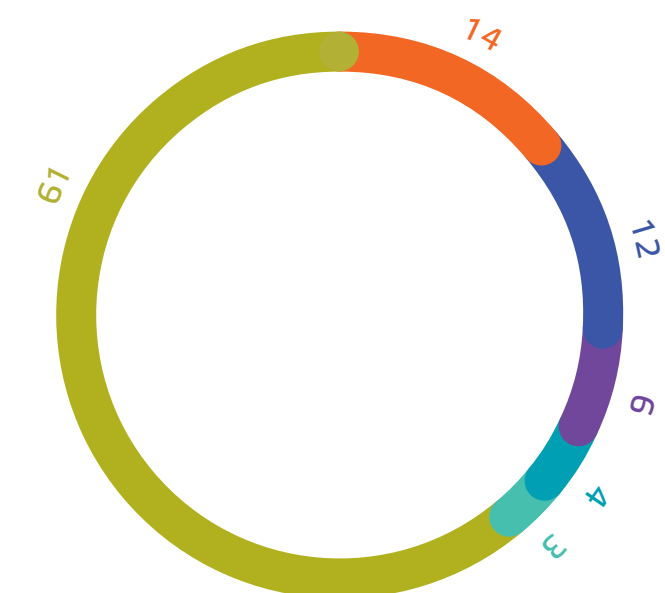


Since 2009, the Company has been the world's leading producer of steel pipe. The main focus of our business is the production of goods for the oil and gas industry. We own production facilities in countries that account for 81% of global drilling (USA, Russia, the Middle East states, and Canada). Oil country tubular goods account for 78% of TMK's total sales.

We ship a considerable share of our products to Russian oil & gas majors such as Rosneft, Gazprom, Surgutneftegaz, Lukoil, Transneft and Gazprom Neft.

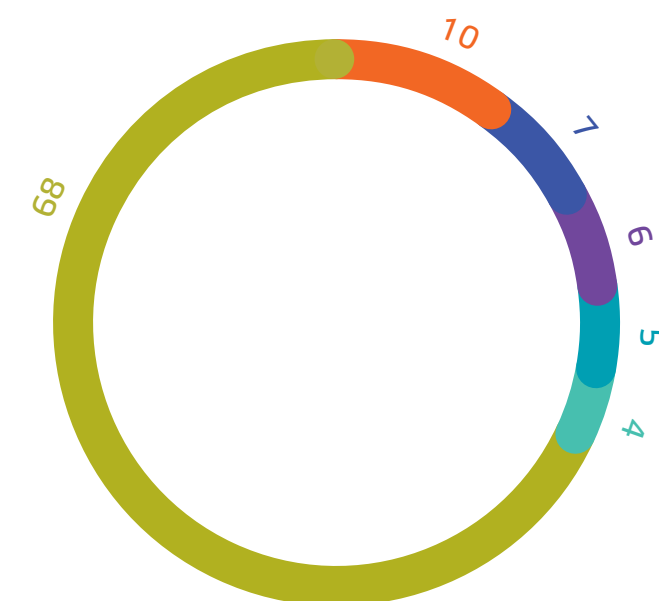
The share of sales to our top five customers grew from 32% of the total sales of TMK's products in 2014 to 39% in 2015. These changes in the sales structure were due to lower shipments to the US market on the back of weaker demand and adverse pricing environment in the US pipe market. In this context, we were building up our shipments of tubular products to key consumers in Russia. Specifically, Rosneft increased its purchases of OCTG due to higher volumes of exploration and production drilling, while Gazprom's higher demand for LDP was driven by its efforts to pursue major infrastructure projects and the company's import substitution programme.

2015 SALES BY CUSTOMER



● Rosneft
● Gazprom
● Surgutneftegaz
● Gazprom Neft
● Lukoil
● Other

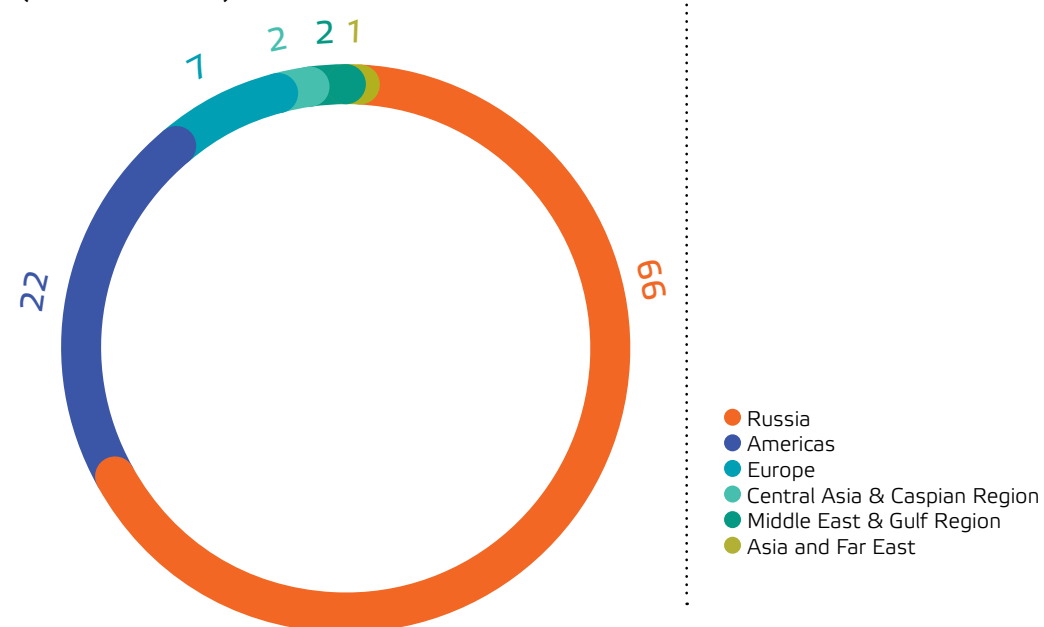
2014 SALES BY CUSTOMER



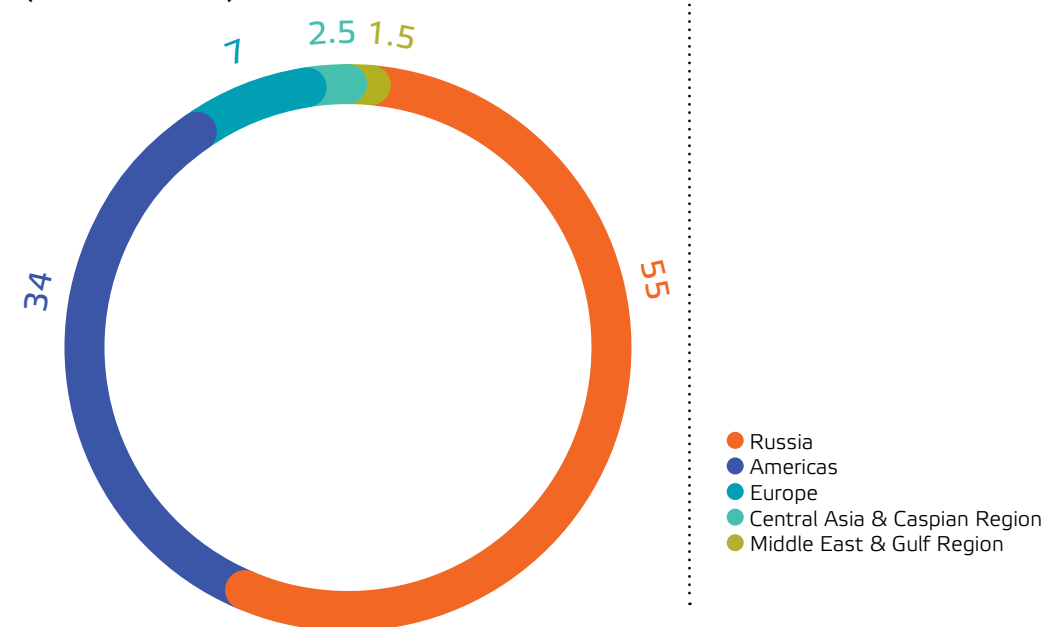
● Rosneft
● Gazprom
● Surgutneftegaz
● Gazprom Neft
● Lukoil
● Other

We ship our products to over 80 countries through a geographically diversified network of our dealers and representative offices around the globe. In 2015, the Russian market accounted for 66% of our total revenue, the American market for 22%, and the European market 7%. Our share of sales in the Russian market grew largely due to a considerable rise in demand for LDP, while we shed market share in the USA on the back of low demand for OCTG and an unfavourable pricing environment. The Middle East, Central and South-Eastern Asia accounted for 5% of our revenue. Our geographically diversified assets and sales help us to mitigate risks and uncertainties while taking advantages of the opportunities offered by each market.

2015 SALES GEOGRAPHY
(BY REVENUE), %



2014 SALES GEOGRAPHY
(BY REVENUE), %



PIPE SALES BY DIVISION, THOUSAND TONNES

	RUSSIAN DIVISION			AMERICAN DIVISION			EUROPEAN DIVISION		
	2015	2014	Change, %	2015	2014	Change, %	2015	2014	Change, %
TOTAL, INCLUDING	3,252	3,198	2%	440	1,019	-57%	178	185	-3%
seamless pipe, including	2,004	2,014	-1%	227	361	-37%	178	185	-3%
seamless OCTG	1,108	1,128	-2%	218	317	-31%	—	—	—
welded pipe, including	1,249	1,184	5%	213	658	-68%	—	—	—
large diameter pipe	636	468	36%	—	—	—	—	—	—



4.6. RUSSIAN PIPE MARKET

We maintain leadership in the domestic pipe industry. As of 2015 year-end, our share of the Russian market was 25%, with TMK's seamless line pipe accounting for 60%, seamless OCTG for 65%, and seamless industrial pipe for 41%.

In 2015, sales in the Russian market contributed 66% to the Company's total revenue.



In 2015, the Russian pipe market grew 1% year-on-year as lower shipments of seamless pipe were offset by a higher demand for LDP due to the launch of several major infrastructure projects.

TMK'S SHARE OF THE RUSSIAN PIPE MARKET IN 2015 BY PRODUCT TYPE, %

SEAMLESS

OCTG 65%



FOR THE OIL & GAS
INDUSTRY
+4% vs. 2014



LINE 60%



FOR THE OIL & GAS
INDUSTRY
+0.4% vs. 2014



INDUSTRIAL 41%



HIGH ADDED VALUE
INDUSTRIAL PIPE
+8% vs. 2014



WELDED

LDP 18%



FOR GAS AND
OIL PIPELINE
CONSTRUCTION
+2% vs. 2014



LINE 22%



FOR THE OIL & GAS
INDUSTRY
-3% vs. 2014

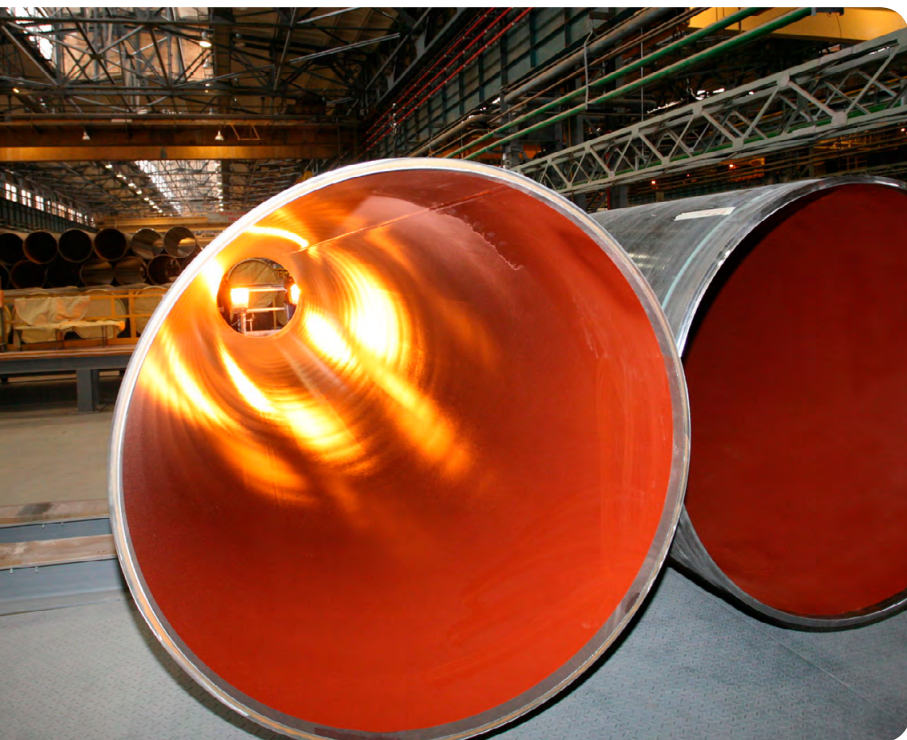


INDUSTRIAL 9%



WELDED INDUSTRIAL
PIPE
-1% vs. 2014





LARGE DIAMETER PIPE

In 2015, the Russian LDP market grew more than 30% year-on-year due to a higher demand for LDP from Gazprom, which pursues a number of major oil and gas pipeline projects, and increased LDP shipments for infrastructure projects implemented under the national programme for the Development of the Russian Transportation System.

Gazprom and Transneft remained our largest LDP customers together accounting for over 80% of our LDP sales in 2015. Overall, our share in LDP shipments to the Russian market was 18% in 2015.

In 2015, TMK achieved record high LDP sales, posting a growth of 36% year-on-year, largely driven by seamless pipe shipments to Gazprom's major infrastructure projects including

- The Power of Siberia gas trunk pipeline, with a design capacity of 61 bcm per year for transporting gas from the Chayandinskoye and Kovytkinskoye fields to China. The project is expected to be commissioned between 2018 and 2020
- Gas trunk pipelines Bovanenkovo-Uhktu (design capacity: 140 bcm per year) and Uhktu-Torzhok (design capacity: 82 bcm per year), to transport gas from the Bovanenkovskoye field (scheduled to be commissioned in 2016)

- The Southern Corridor gas trunk pipeline to transport gas from Central Russia under the Black Sea to Turkey. The project was suspended in July 2015.

Although in 2015 some of the projects planned in the annual programme were postponed by Gazprom to future periods due to a challenging macroeconomic and geopolitical situation, the Company promptly refocused pipe shipments to other projects. As a result, our LDP shipments to Gazprom grew 62% from 2014.

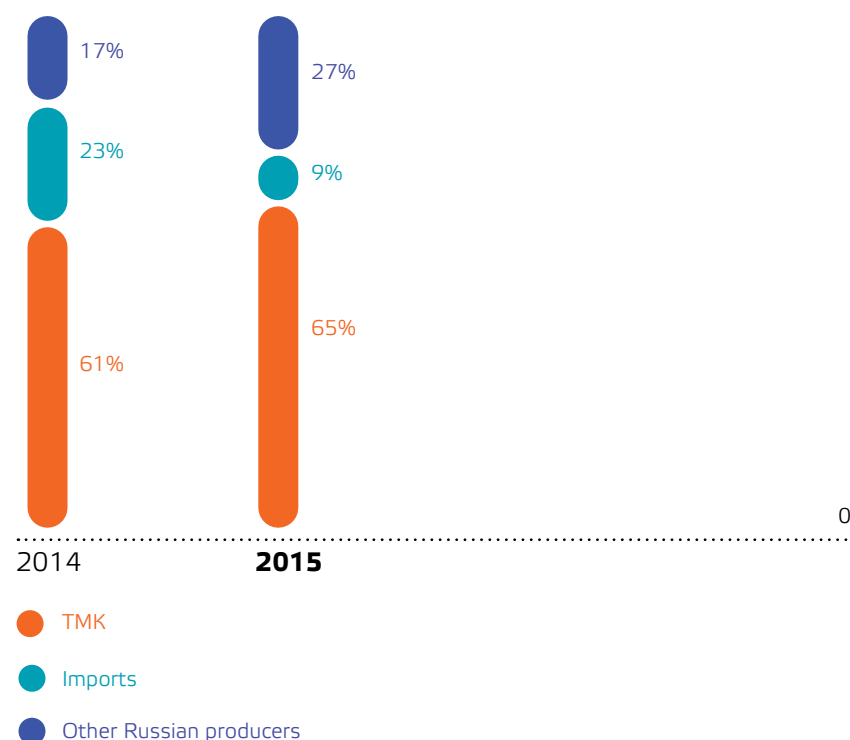
In 2015, we were also actively involved in the programme for the Development of the Russian Transportation System by building up our LDP shipments to seaport facilities, specifically to seaport construction projects in Sabetta, Ust-Luga and Novorossiysk.

In early 2015, TMK and Gazprom signed an Addendum that refines the LDP pricing formula in line with existing trends and the situation in the Russian pipe market. The refined LDP pricing formula will factor in the costs of metal feedstock and materials, steel plate production and transportation costs, and LDP production cost. The formula also provides for price indexation to reflect inflation and foreign exchange rate fluctuations. The LDP price calculated according to the agreed formula will be determined on a quarterly basis.

18%

TMK's share in LDP shipments to the Russian market in 2015

TMK'S SHARE OF THE SEAMLESS OCTG MARKET, %



Source: CDU TEK information,
TMK estimates

OIL COUNTRY TUBULAR GOODS AND PREMIUM PRODUCTS

In 2015, domestic consumption of seamless OCTG grew 3% year-on-year, driven by higher drilling volumes in Russia (up 12% y-o-y). In the reporting year, the rouble depreciation prompted a wider use of Russian products instead of imported tubular products, which drove the share of seamless OCTG imports down from 23% to 9%. As a result, we also increased our market share from 61% to 65%.

The share of high-tech horizontal drilling in Russia went up from 29% in 2014 to 33% in 2015. The higher volumes of this type of drilling were largely due to its efficiency in developing mature fields to maintain the existing production levels. Enhancing oil recovery at mature fields became particularly important for many Russian oil & gas companies in the context of dwindling development rates for new fields in Eastern Siberia and the Timan-Pechora region due to a challenging economic situation.

In 2015, the Russian premium OCTG market shrank by almost 2% year-on-year due to lower hydrocarbon prices and, consequently, lower investments in upstream projects by Russian oil & gas majors. With their capex reduced, they had to keep developing existing fields which do not require high-tech equipment, including OCTG with premium threaded connections. At the same time, most oil & gas companies had to postpone tapping

new complicated fields, including in the Russian Arctic shelf, to later periods.

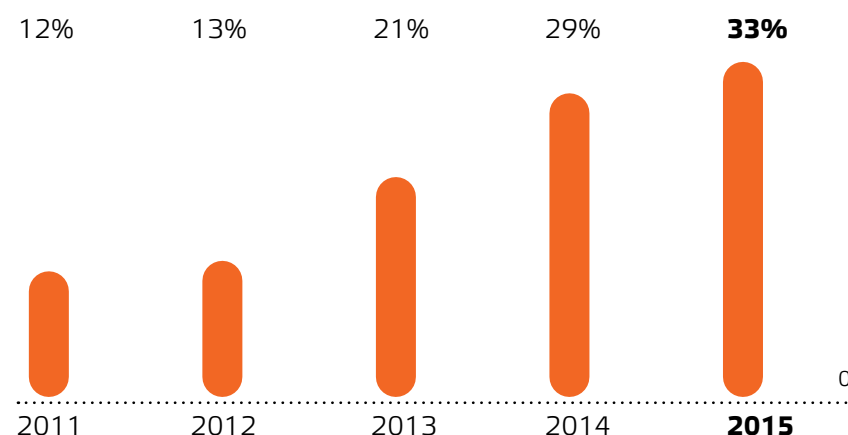
Despite the shrinking Russian premium OCTG market, TMK's share of the market grew 11% due to lower imports of premium products and the rouble depreciation against other currencies.

We are consistently working towards supplying top-quality high-tech and reliable tubular products to oil & gas companies to meet our consumers' needs and help them produce hydrocarbons in adverse climate and geological conditions, including Far North locations and offshore.

2015 saw a milestone event as TMK and Gazprom signed a long-term agreement on integrated shipments of premium tubular products with TMK UP threaded connections. The agreement, valid until 2023, provides for a total amount of 101 thousand tonnes and for design, rollout, manufacturing, delivery and maintenance of premium tubular products. Shipments under the agreement include high-strength and special pipes with TMK UP premium threaded connections from carbon steel and alloyed steel and special alloys for operation in challenging climatic conditions and aggressive environments. The products will be designed and shipped to Gazprom's specifications for existing and promising fields, including Astrakhanskoye, Urengoykoye, Chayandinskoye, Kovytkinskoye, and for offshore projects.



SHARE OF HORIZONTAL DRILLING IN THE TOTAL RUSSIAN PRODUCTION DRILLING, %



Source: CDU TEK information, TMK estimates

In 2015, TMK won a number of Gazprom's tenders drawing on the unique properties of its products. The products to be shipped include casing pipe with TMK UP premium threaded connections. As part of these tenders, we delivered first supplies of T95SS-grade corrosion-proof casing pipe and C90SS-grade corrosion-proof tubing pipe. Gazprom's orders were fulfilled using our production facilities at TAGMET, the Volzhsky Pipe Plant, Sinarsky Pipe Plant, Seversky Tube Works and Orsky Machine Building Plant from TMK's Russian division.

The confidence in our products is demonstrated by a strategic agreement signed with Gazprom Burenie in 2015, under which TMK is to become the major supplier of the entire range of drill pipes to the company. Our products will be used at production sites of Gazprom Burenie across Russia for project that require enhanced wear-proof pipe: in Western and Eastern Siberia, the Far East, Northern Caucasus, the Orenburg and Astrakhan Regions, the Republic of Komi, and the Yamal Peninsula. Technology-wise, TMK's drill pipes are adapted to operation in challenging climatic conditions to reduce opex, improve the production process, and enhance performance.

Priority projects in 2015 included continued shipments of H₂S-resistant casing and tubing pipe for the Astrakhanskoye gas condensate field operated by Gazprom and casing pipe for the Ashalchinskoye and Yuzhno-Ashalchinskoye super-viscous oil fields of Tatneft.

All products to be shipped feature TMK UP threaded connections.

TMK was one of the first Russian companies to launch production of Cr13 (super chrome) pipe compliant with thermal treatment that provides resistance to highly corrosive environments. In 2015, the Company significantly consolidated its position by increasing its share in the Russian market for these products. Large batches of casing and tubing pipe with TMK UP premium threaded connections were shipped to projects developed by Gazprom, Rosneft, Achimgaz, and others.

In particular, in the reporting year, we continued our relationship with Rospan International, a subsidiary of Rosneft operating the Vostochno-Urengoyenskoye and Novo-Urengoyenskoye gas condensate fields in the Yamal Peninsula, making shipments of high-tech premium Cr13 pipe. A large batch of Cr13 steel tubing with TMK UP premium threaded connections was shipped to the company. The products comply with PSL-2, which sets additional, higher quality requirements to inner surface of pipe, and threaded connections, and for non-destructive testing. Tubing for Rospan International was manufactured in a collaboration project between the Sinarsky Pipe Plant and Volzhsky Pipe Plant: the Volzhsky Pipe Plant produced green tube and coupling stock by using hot extrusion, while the Sinarsky Pipe Plant performed the subsequent finishing operations.





5-fold

growth in TMK sales
of premium tubular
products featuring the
GreenWell technology

In 2015, the Volzhsky Pipe Plant launched the production of enhanced corrosion and cold-resistant 325 mm pipe with a wall thickness of 32 mm from 13KhFA-grade steel to be used at the Novoportovskoye field operated by Gazprom Neft, one of the largest fields in the Yamal-Nenets Autonomous Area, located in the severe climate of the Far North. TMK's entities had never before produced highly corrosion-resistant pipes with such wall thickness.

In 2015, TMK signed a partnership memorandum with Sakhalin Energy for tubular products with TMK UP premium threaded connections, which confirms TMK's reputation as a reliable pipe supplier for complicated offshore fields. The memorandum provides for partnership and advanced collaboration between the two companies on qualification and certification of tubular products with premium threaded connections to be used at the Sakhalin-2 project. The memorandum also provides for qualification tests of TMK UP premium threaded connections for casing pipe from chrome, high-carbon and highly corrosion-resistant steel grades compliant with ISO 13679 CAL4 2014. Under the document, TMK's entities are expected to undergo joint technical audits under Shell's TAMAR pre-qualification system.

In 2015, TMK saw a five-fold growth in its sales of premium tubular products featuring the GreenWell dope-

free technology. The technology requires no dope for the make-up of casing and tubing pipes, considerably reducing the running preparation time, and cutting overall production costs of oil & gas producers for field development while minimising the environmental impact. During the year, products were shipped to Russian oil & gas majors such as Rosneft, Bashneft, NOVATEK, Gazprom Neft and Lukoil. In 2015, TMK's tubular products featuring GreenWell dope-free coating and TMK UP PF ET threaded connections were first used in an offshore well at the Korchagin oil & gas condensate field in the Caspian Sea developed by Lukoil.

According to a poll of oil & gas companies specialising in offshore development held during Neftegazshelf 2015, TMK once again ranked first among suppliers of tubular products for offshore drilling.

Among TMK's successes in the CIS and non-CIS markets in 2015, we would highlight the qualification of TMK by a major Iraqi oil producer, Missan Oil Company (MOC) as approved supplier of OCTG and pipeline pipes, as well as shipment of tubing with TMK UP FMT premium threaded connections to LUKOIL Uzbekistan Operating Company for use at gas condensate fields of the Kandym Group in Uzbekistan.

1st place

in the ranking among
suppliers of tubular
products for offshore
drilling

INDUSTRIAL PIPE

In 2015, the Russian seamless industrial pipe market declined by 6%, while the welded industrial pipe market grew by 14% year-on-year. This can be explained by the challenging economic situation and business slowdown in most Russian economic sectors. Our share in the welded pipe market marginally declined to 9%, while growing substantially for seamless pipe – from 33% in 2014 to 41% in 2015.

Although TMK mainly focuses on OCTG production, we continuously develop and launch new products used in the construction and utilities sector, as well as machine building and nuclear industries.

Starting from 2014, we produced of, and supplied large quantities of structural steel pipe for a number of stadium projects implemented as part of preparations for hosting the 2018 FIFA World Cup, in particular, impact

resistant seamless pipe shipped for the construction of Zenit Arena stadium retractable roof in St Petersburg. We also produced and supplied structural steel pipe for the stadium roof in Samara and galvanised pipe for the outer steel frame of the Otkritie Arena stadium in Moscow. In 2015, TMK continued expansion into this segment and supplied a large batch of 1,600 tonnes structural steel pipe for of the Mordovia Arena.

In 2015, we also won a number of tenders for pipe shipments to energy and petrochemical businesses, including boiler long-length pipe for Taman TPP's equipment.



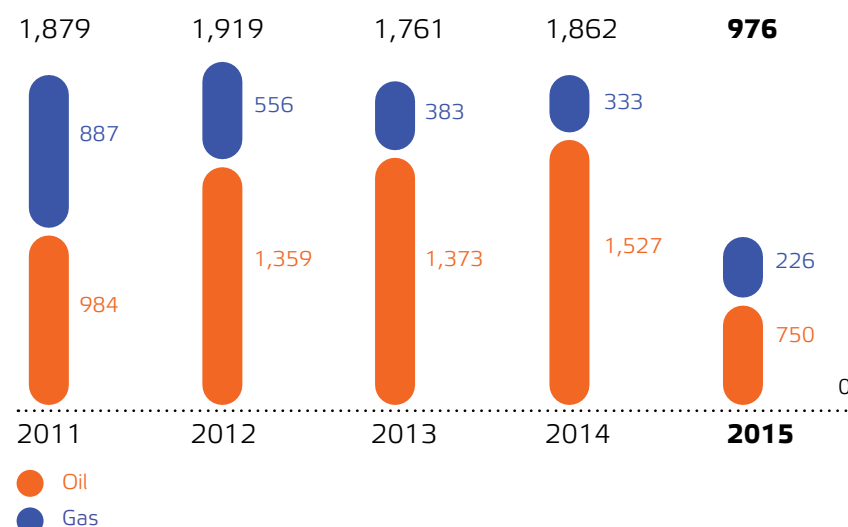


We continue expanding and upgrading our production facilities to meet the needs of high-tech industries. Our TMK-INOX produces stainless pipe of 8–114 mm diameter, including specialised pipe, used in nuclear, aircraft, automotive, aerospace and energy industries and manufactured in line with the world's best practices as well as Russian and international standards. In 2015, the share of TMK-INOX of the stainless pipe market increased and accounted for 17% compared to 15% in 2014, with its domestic sales volumes up 14%. This growth was mostly due to an increased market share in hot-rolled seamless pipe, which grew significantly on the back of their declining imports.

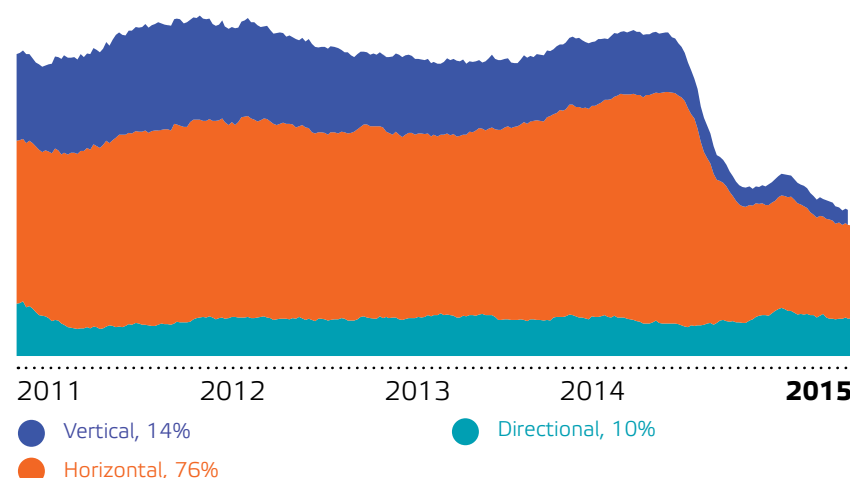
by **14%** grew industrial pipe
sales volumes
in domestic market

4.7. NORTH AMERICAN MARKET

US GAS AND OIL RIG COUNT



US RIGS BY DRILLING METHOD



According to Baker Hughes, the average rig count in the US dropped almost twofold year-on-year to 976 in 2015 from 1,862 in 2014. This drop was due to the continuing declines in oil prices, which led to weaker drilling activity and lower capex of regional oil & gas companies, and, accordingly, to a lower demand for OCTG and growing inventories.

Despite the plummeting rig count, pipe consumption per rig grew from 3,507 tonnes per rig in 2014 to 3,889 tonnes per rig in 2015. This can be explained mainly by a growing share in horizontal and directional drilling which demonstrate higher pipe consumption. Year-on-year, the combined horizontal and directional rig count grew from 80% of total rigs in 2014 to 86% in 2015. A considerable slowdown in US exploration and production drilling and the resulting decrease in the average number of rigs in the US led to a weaker demand for OCTG.

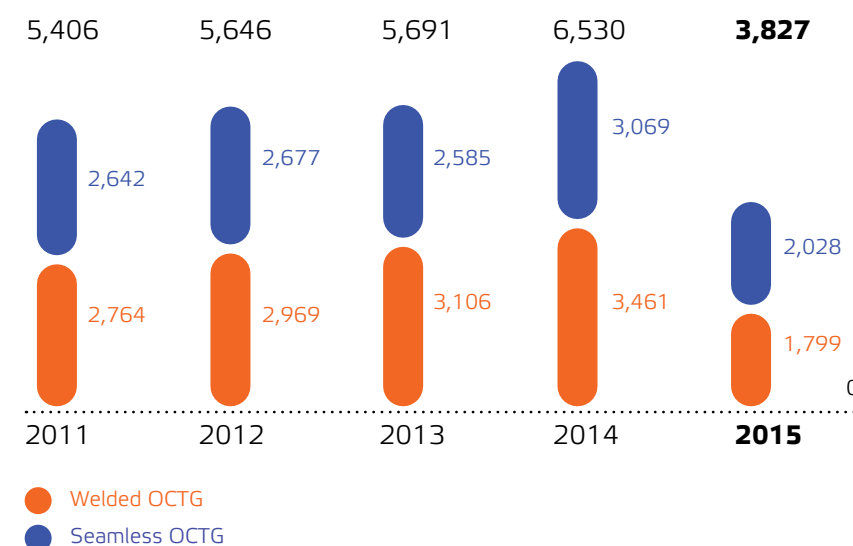
As a result of low oil prices, most oil & gas companies had to cut down their hydrocarbon exploration and production costs. Product requirements also underwent substantial change. Specifically, a number of producers re-focused towards casing and tubing pipes with thinner walls, smaller diameter, simpler finish coating and lower grade threaded connections. The weak demand and the adverse pricing environment drove down OCTG consumption in the US by 41%.

Performance of TMK's American division has declined, as OCTG consumption in the US market slumped on the back of lower drilling volumes, high inventories and stiffer price competition from imports. Despite a significant increase in horizontal and vertical drilling activity in the United States, which requires more advanced technological solutions, sales of tubular products with premium connections by our American facilities dropped to 167 thousand tonnes in 2015.

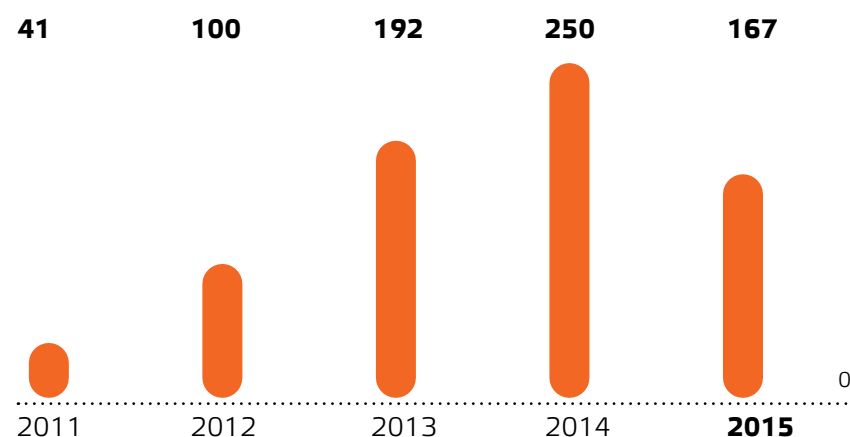
In the context of a challenging market environment, the American division implemented a number of measures to cut costs and optimise headcount. As a result, 2015 saw the division's headcount decrease by 30% year-on-year.

The reporting year also saw the Camanche and Catoosa plants temporarily suspend production, while some plants reduced the number of shifts to one.

US OCTG CONSUMPTION, THOUSAND TONNES



PREMIUM CONNECTIONS PIPE SALES
BY THE AMERICAN DIVISION,
THOUSAND TONNES



Source: TMK estimate

In the challenging environment of weak demand for tubular products in the US, TMK IPSCO decided to focus on higher value added products, particularly seamless OCTG with TMK UP premium threaded connections at the most efficient assets of the American division. TMK IPSCO continues its consistent efforts to transform its research centre into a key income generator in the future.

In 2014, TMK IPSCO completed the design and development of five new TMK UP premium connections. They were tested and introduced in 2015. These connections include improvements to legacy connections as well as the design of new connections.

In the reporting year, the Research & Development Centre of the American division developed a new system for multiple sleeve ball-activated hydrofracturing of formations.

The Company also successfully developed several proprietary steel grades for OCTG, as well as various corrosion-resistant grades for OCTG and line pipe. In 2015, TMK's American division won the sixth annual Award for Steel Excellence as the Tube and Pipe Producer of the Year 2014. The award is given by American Metal Market (AMM), a leading US news and analytics publication.

4.8. EUROPEAN PIPE MARKET



178

thousand tonnes
of pipe sales volume
in the European Division

For the full year 2015, the reduced demand and overcapacity led to stronger competition in the European market and downward pressure on prices for tubular products. Additional challenges came from rising imports of seamless and welded pipe from non-EU countries.

Our European division specialises in manufacturing and supplying industrial seamless pipe. In 2015, it was this segment that had the tightest competition from major OCTG manufacturers: prompted by falling oil prices, companies re-focused on manufacturing industrial pipe. These enabled pipe consumers to obtain lower long-term prices and better payment terms due to large inventories.

Despite the challenging market conditions, the European division showed strong operating results in 2015, selling 178 thousand tonnes of pipe, a marginal drop of 3% year-on-year.

To maintain and cement its market position and enter new sales markets, in 2015 the European division implemented a range of initiatives to start using new high added value steel grades and alloys and launch production of new products, targeting mostly the automotive and energy sectors.

In 2015, TMK-ARTROM launched a new finishing shop with an annual capacity of 25 thousand tonnes of pipe. By manufacturing higher added value tubular products, the European division of TMK will be able to offer new premium products for hydraulic and telescopic cylinders. These cylinders are widely used in hoisting machinery, sophisticated industrial equipment, automotive and aircraft industries. Launching the production of pipe for hydraulic cylinders is yet another step towards gaining a foothold in new markets as a manufacturer of value-added products for the engineering industry.

Last year, TMK-ARTROM also successfully tested, under supervision of Gazprom VNIIGAZ, the cold rolling of highly corrosion-resistant pipe from TMK-S chrome and nickel alloy. The Company is planning to launch the commercial production of these products in 2016.

TMK-ARTROM is qualified as an authorised supplier for major companies, such as General Electric, Dacia (a subsidiary of Renault) and NIS (Petroleum Industry of Serbia). In 2015, we enhanced our partnership with Dacia by supplying precision pipe for the automotive industry. In the reporting year, we became No. 1 supplier for this company.

4.9. MIDDLE EAST MARKET



15

thousand tonnes
of carbon steel pipe with three-
layer external EP coating were
supplied for the Kauther project
in the Sultanate of Oman

We strive to expand our footprint in major oil & gas regions, including the Middle East. In 2015, TMK's facilities remained committed to building up their reputation with the local oil and gas majors.

In 2015, we were successfully registered and qualified by major state-run and private oil & gas companies of the Middle East and North Africa, including Egypt, Iraq, the UAE and Iran. Shipments of seamless casing and tubing with TMK UP premium threaded connections account for a considerable share in our successful qualifications.

TMK GIPI, a major producer of tubular products in Oman, continues to assert its leadership in the country and the Middle East supplying line pipe for the oil & gas industry. For instance, in November 2015, the company signed a large contract for the supply of pipe with three-layer external PE coating and liquid epoxy inner coating for the Muscat-Sohar Product Pipeline (MSPP), which will connect a refinery in Mina al Fahal with the Sohar refinery, Jifnain terminal, and the international airport of Muscat. The pipeline is a joint project between the Sultanate of Oman and Orpic Logistics Company (OLC). Its unique feature is that it will supply four types of fuel: premium and standard petrol, and diesel and jet fuel. The highlights of 2015 also include a contract for the supply of 15 thousand tonnes of carbon steel pipe with three-layer external EP coating for the Kauther project with Petroleum Development Oman (PDO), the leader in hydrocarbon exploration and production in the Sultanate of Oman.

In 2015, TMK GIPI was actively exploring new target markets for its products. For example, in 2015, the company supplied the first pilot batch of casing pipe to Occidental Petroleum Corporation (Oxy) in Oman as part of substitution of welded pipe for seamless pipe. In 2016, the company is planning to build up its shipments

of this type of products to companies that traditionally use seamless casing pipe in the region, as the new pipe has been successfully tested in the customer's wells.

In the reporting year, the company received its first order from Occidental Petroleum Corporation for TMK's premium products in Oman. TMK GIPI is planning further expansion into this market in the Sultanate, including through technical consultations and after-sale services for delivered tubular products. In 2015, to upgrade its coating services and access new sales markets the company successfully passed qualification tests run by Shell for its external EP coating and completed its first order for this coating for Shell's Majnoon project in Iraq.

We also see strong opportunities in Iran's market, as we have a considerable advantage over our competitors in being able to ship tubular products both from Russia (e.g. via the Volga from the Volzhsky Pipe Plant), and from Oman. We are actively exploring opportunities for marketing our products with TMK UP threaded connections in this market.

4.10.

PREMIUM CONNECTIONS AND OILFIELD SERVICES

We are one of the world's largest premium connections producers and the absolute leader in the Russian premium connections market.

Pipe with premium threaded connections is used for oil and gas wells operating in adverse climatic and geological conditions, including offshore, deep-sea and Far North locations, horizontal and directional wells, and hard-to-reach hydrocarbon (shale gas and oil sand) field development. These connections offer high strength and tightness, along with enhanced resistance to high torsional, bending and tensile stresses.

APPLICATION OF PREMIUM PRODUCTS:

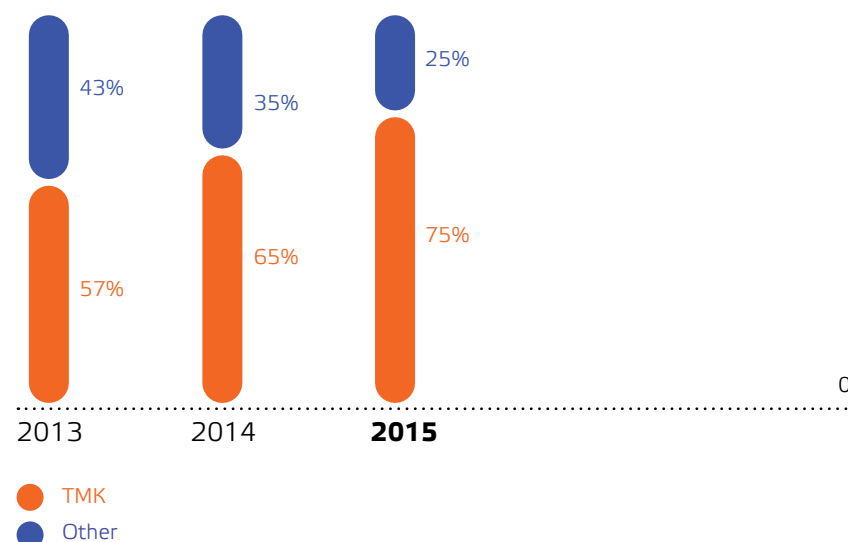
- High H₂S and CO₂ concentration
- High temperatures
- Arctic environment
- Horizontal directional drilling
- Drilling with casing
- Steam Assisted Gravity Drainage (SAGD)
- GreenWell lubricant-free connections



TMK UP EVOLUTION



TMK'S SHARE IN THE PREMIUM PIPE MARKET



In the reporting year, TMK was able to maintain its leadership in the Russian market for tubular products with premium threaded connections by boosting its share from 65% in 2014 to 75% in 2015. This growth was driven, among other things, by declining imports of premium tubular products and import substitution programmes put in place by many companies.

Backed by many years of experience in premium product shipments, we are always ready to offer our customers unique engineering capabilities and highly efficient pipe solutions that cater all their expectations. In 2015, TMK was able to considerably expand its customer base and launch shipments of premium products under import substitution programmes adopted by Russian oil & gas majors.

In the reporting year, we applied a new approach as part of our relationship with Gazprom on premium tubular products. Under this approach, TMK assumes the responsibility for designing, rolling out, manufacturing, shipping, and providing technical support for import substituting products for existing and potential fields, while Gazprom guarantees that certain purchasing volumes throughout the term of the contract. In 2015, we signed a relevant long-term agreement.

During the year, we also won a number of large tenders held by Gazprom and shipped casing and tubing with TMK UP premium threaded connections. Some of TMK's products were used in developing the Chayandinskoye gas field in Yakutia, which is destined to become a source

of gas for the Power of Siberia pipeline currently under construction.

As part of Gazprom's import substitution programme, the Russian division designed and supplied, specifically for its Astrakhan field, H₂S resistant casing and tubing with TMK UP PF and TMK UP GF threaded connections capable of withstanding highly corrosive environments typical for this field. The connections offer enhanced resistance to high torsional, bending and tensile stresses and to thread galling, which is also important given the specifics of the field and its development.

In October 2015, TMK signed a memorandum on cooperation with Sakhalin Energy, under which the company may, after passing an agreed set of tests take part in tenders for the supply of casing and tubing with TMK UP threaded connections to be used in Sakhalin offshore projects.

In 2015, as part of Tatneft's import substitution programme, we continued our shipments of high-tech casing pipe with TMK UP threaded connections for the Ashalchinskoye field in Tatarstan. These connections offer high compressive, tensile and bending strength, and are used to produce super-viscous oil with steam-assisted gravity drainage (SAGD), where a pair of parallel horizontal wells are drilled: one to inject steam into the formation to heat the oil viscosity, the other to pump out the oil. The shallow oil bearing formations at the Ashalchinskoye field make drift deviation impossible and directional drilling is used. All running operations for



casing with TMK connections were supported by TMK NGS-Buzuluk's representatives.

In 2015, TMK substantially boosted its sales of premium tubular products featuring the GreenWell dope-free technology to such Russian oil & gas majors as Rosneft, Bashneft, NOVATEK, Gazprom Neft and Lukoil. The technology requires no lubricant for coupling of casing and tubing pipe, considerably reducing the running preparation time and cutting overall costs of oil & gas producers for field development while minimising the environmental impact.

In 2015, TMK's pipes featuring GreenWell dope-free coating and TMK UP PF ET threaded connections were first used in an offshore well at the Korchagin field in the Caspian Sea developed by Lukoil. The GreenWell dope-free technology will minimise environmental risks of production from the field by preventing dope from getting into water, while TMK UP PF ET ensures high tightness of the casing at extreme loads and torque.

One of our business priorities is to deliver premium OCTG complete with related services. Our oilfield services include drill, tubing and casing pipe production and repairs, heat treatment, protective coating, production of a vast selection of pipe string components and downhole equipment, as well as pipe threading, pipe and pump rod service and repairs, etc.

The Russian oilfield services division is headed up by TMK Oilfield Services (Yekaterinburg) and includes the Orsky Machine Building Plant (Orsk), Truboplast (Yekaterinburg),

TMK NGS-Buzuluk (Volga Federal District), TMK NGS-Nizhnevartovsk (Khanty-Mansi Autonomous Area). The latter two are located at the heart of oil & gas regions and provide well construction, repair and completion services to both large- and mid-size oil & gas companies and oilfield service providers.

TMK provides after-sales services to support all of its premium tubular products. TMK Oilfield Services division focuses on continuously improving the quality of its services by adopting new advanced equipment and solutions, and by exploring new segments in the oilfield services market.

TO THIS END, IN 2015 THE DIVISION PUT IN PLACE A RANGE OF MEASURES:

- TMK NGS-Nizhnevartovsk commissioned a drilling pipe repair facility, launched a number of new technologies, including the rolling of drilling pipes with insulation coating and one-layer epoxy coating under thermally insulating and waterproofing coating. Jointly with RosNITI, the Company is working on ranking OCTG coatings by corrosion resistance and heat resistance.



- TMK NGS-Buzuluk considerably enhanced its offering with engineering services for the running of casing and tubing with TMK UP premium threaded connections, and established a dedicated service centre within the company. In 2015, TMK NGS-Buzuluk provided engineering support for the running of 182 casing and tubing pipes in Russia and in other countries. In Russia, such support was provided at fields of Tatneft, NOVATEK, Vankorneft, Purneftegaz, Lukoil-Komi, Gazprom Dobycha Astrakhan, Gazprom Neft-Orenburg, Gazprom Neft-Khantos, etc. In other countries, our customers in 2015 included Zhaikmunai (Kazakhstan), Lukoil Uzbekistan Operating Company (Uzbekistan), Apsheron Operating Company (Azerbaijan), VICO (Indonesia) and others. We would specifically highlight engineering services provided by our teams for the running of casing at offshore platforms of JV Vietsovpetro

- The Orsky Machine Building Plant revamped its production facilities and launched new technologies of tool joint production for drilling pipes.

We are also offering oilfield services in the US market. In particular, our OFS International offers well survey and casing supervising services, as well as pipe threading and production of couplings and downhole equipment. In 2015, the company further expanded its geographical coverage in all key oil & gas US regions and was engaged in five projects in Texas, Oklahoma and Ohio. OFS International considerably expanded its production capacity and is currently working with major US oil & gas and oilfield services companies.

4.11.

R&D INITIATIVES AND COOPERATION



New technologies and innovative products introduction are the key competitive drivers in the global pipe market. TMK's research centres, the Russian Research Institute for the Tube and Pipe Industries (RosNITI) located in Chelyabinsk (Russia) and TMK's Houston-based R&D centre (US) are engaged in extensive research, liaising with specialised R&D organizations and universities and aligning scientific and technological cooperation with TMK's major consumers. The two centres assist TMK's enterprises in developing new facilities, technologies and products.

THE CENTRES MAINLY FOCUS ON:

- Boosting economic efficiency of pipe and billet manufacturing
- Streamlining pipe technologies to enhance the product's operational properties, quality and exterior, cut costs, improve working conditions and mitigate environmental impact
- Developing new production capacities of TMK's enterprises
- Creating new technologies to manufacture new products
- Improving regulatory framework and technical documentation, developing national and corporate standards (the Company's local standards) for pipe, billet and flat-rolled products.

We consistently build up our R&D activities. For example, in July 2015, we launched the construction of TMK's R&D facility in Skolkovo that will become our third, and principal, research and development platform. TMK's R&D facility is scheduled to come online in 2017.

In 2015, we developed, tested and launched a range of R&D solutions, including:

- Approved three corporate standards for import substituting products; submitted technical conditions for high-tech pipes for hydrocarbon production to Gazprom's standing commission on new products
- Developed and launched a technology for forming and welding large diameter pipes for subsea pipelines with enhanced requirements to viscosity and cold-resistance of the weld seam and to geometry precision
- Developed a methodology and piloted software products to enhance the performance of process equipment at pipe hot-rolling and heat treatment facilities, calculate the standard ratios for metal consumption, waste and losses for various process stages at production shops with continuous rolling mills



25

new pipe products
for Gazprom will be developed
and launched by 2020

- Developed a range of methods to ensure high precision of pipe hot rolling by applying an advanced endwise roll adjustment technology, efficient profiling of process tools in piercing mills to produce hollow billets with enhanced parameters in terms of non-uniformity of wall thickness
- Designed the formula for martensitic class stainless steel and technologies for manufacturing P110 grade casing and tubing pipes resistant to carbon dioxide corrosion fit for use in Far North areas
- Designed the formula and technologies for manufacturing cold-worked P100 grade tubing from a chrome-nickel-molybdenum alloy and launched the production of C110 high-strength H₂S pipes.

We actively pursue R&D collaboration projects with most Russian oil & gas majors to find a mutually beneficial solution to meet the demand of our customers for tubular products.

In December 2014, we entered into an R&D cooperation agreement with Gazprom for the period of 2015–2020. The agreement outlines a cooperation programme focusing on the development of new tubular products, import substitution initiatives, best practices sharing and joint research. We are planning to develop and

launch 25 products, including ten new and fifteen import substituting products, such as pipes with improved strain capacity for deep water pipelines; casing, tubing and drilling pipes for wells in adverse conditions and offshore projects, as well as pipes with dope-free threaded connections and featuring new alloys and materials. We have been successfully building up R&D cooperation with Gazprom since 2003. These efforts helped launch dozens of new products, including vacuum insulated tubing, 13Cr-grade pipe, high-strength pipe used in aggressive environments, etc.

For many years, we have been cooperating with Gazprom Neft and supplying pipe for oil production and transportation, including those with premium threaded connections. Our R&D cooperation programme has been effective since 2013. While working on this programme, we decided to expand the scope of our cooperation with Gazprom Neft to set up a technological partnership. The Technological Partnership Programme signed between TMK and Gazprom Neft spans 2015–2017. The programme mainly focuses on developing and supplying new and import substituting products, providing services, supporting conceptual engineering for well construction equipment and technologies and looking into an opportunity to create a single R&D platform for the development of new complicated oil fields.



In 2015, we continued our relationship with Lukoil under the R&D Cooperation Programme for 2014–2016 signed in 2014. The Programme provides for launching import-substituting and new types of high-performance tubular products. In the reporting year, TMK's entities completed a range of activities under the Programme:

- Obtained qualification of premium threaded connections for casing pipe with GreenWell lubricant-free coating for offshore projects in the northern part of the Caspian Sea
- Drafted technical conditions for highly corrosion-resistant steel seamless pipes and coated pipes for field development and
- Successfully piloted tubing with anti-abrasion bore coating for Western Siberian fields.

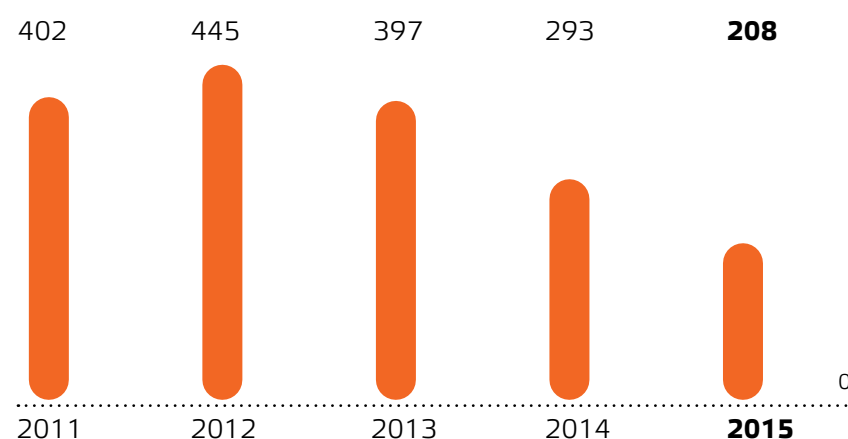
In 2015, we launched a range of R&D cooperation programmes with Rosneft.

In July 2015, TMK signed a partnership agreement for joint research on development, manufacturing and introduction of knowledge-intensive lubricants needed by TMK. In addition, we are planning to run a joint technical audit of equipment to take full advantage of lubricants and the new mix of oil products.

4.12.

CAPITAL EXPENDITURES

INVESTMENTS IN PRODUCTION FACILITIES, USD m



In 2015, we reduced our capex by more than 40% to USD 208 m. This was due, among other things, to the completion of the Strategic Investment Programme launched in 2004. Over the past 10 years, the Company's facilities underwent a large-scale modernisation, which resulted in fully upgraded production capacities. Total investments in the production upgrade, advanced technologies implementation and steelmaking equipment amounted to USD 3.8 bn.

THE MAJOR PROJECTS UNDER THE STRATEGIC INVESTMENT PROGRAMME INCLUDED:

- Steelmaking facilities at TAGMET with 950 thousand tonnes of steel per year
- Steelmaking facilities at the Seversky Tube Works with 950 thousand tonnes of steel per year
- Production line for large diameter longitudinal pipe at the Volzhsky Pipe Plant with 600 thousand tonnes of pipe per year
- PQF pipe rolling mill at TAGMET with 600 thousand tonnes of pipe per year
- FQM pipe rolling mill at the Seversky Tube Works with 635 thousand tonnes of pipe per year.

AS PART OF OUR EFFORTS TO UPGRADE PRODUCTION CAPACITIES, IN 2015, WE IMPLEMENTED THE FOLLOWING INITIATIVES:

STEELMAKING UPGRADE

This is a strategic business line for TMK as it will cover all our demand in high-quality and less costly billets.

In 2015, the Volzhsky Pipe Plant fully commissioned a new furnace transformer with enhanced electric performance.

TAGMET completed the construction of an oxygen plant to supply process gases to the electric arc furnace (EAF) launched in 2013.

TMK-RESITA completed the assembly of, and commissioned, two overhead cranes for its meltshop.

DEVELOPMENT OF SEAMLESS PIPE PRODUCTION FOR THE ENERGY SECTOR

The Seversky Tube Works continued its overall pipe-rolling production upgrade launched in 2011. In particular, in 2015 the entity revamped existing finishing lines and chose a core equipment supplier for the construction of a new pipe heat treatment facility slated to be launched in 2018.

The following projects were also implemented during the reporting year to ramp up the manufacturing of high value-added products, production capacity flexibility and cost effectiveness:





USD 3.8

bn total investments
in the production upgrade
in 2004–2014

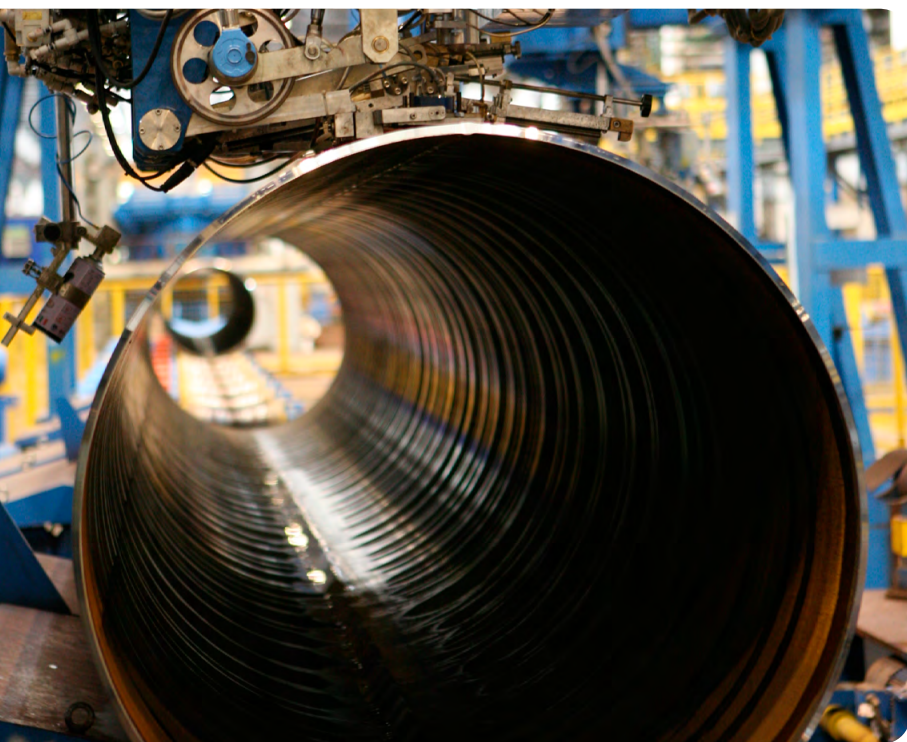
- The Volzhsky Pipe Plant commissioned a unit for automated ultrasonic pipe body inspection under its Integrated Development Programme aimed to meet enhanced requirements of customers to product quality control. As a result, we were successfully qualified by Shell and also passed the qualification audit for compliance with Exxon Mobil's requirements
- The Sinarsky Pipe Plant launched its bucking equipment and set up a facility for thermal diffusion galvanising of couplings
- As part of its upgrade of tool joint production, the Orsky Machine Building Plant commissioned a forging facility, finishing and tool joint threading machines and a tool-joint make-up device and
- TMK-IPSCO in Ambridge completed the replacement of the piercing mill as well as rebuilding the furnace.

DEVELOPMENT OF PREMIUM CONNECTIONS AND OILFIELD SERVICES BUSINESSES

The Sinarsky Pipe Plant installed an advanced hydraulic press, threading equipment for pipes and couplings and launched pipe swedging and calibration equipment.

TAGMET launched its upgrade of existing threading lines, including installation of advanced pipe threading equipment. In 2015, the entity commissioned a coupling blank machine, and completed the assembly of, and launched, a coupling threader as part of a project for upgrading seamless pipe finishing lines and expanding the coupling manufacturing facility.

The Volzhsky Pipe Plant commissioned new coupling threading equipment.



USD **200** m per year
TMK's capex programme
in 2016–2017

DEVELOPMENT OF SEAMLESS INDUSTRIAL PIPE PRODUCTION

TMK-INOX continued putting in place a range of measures aimed to maintain our leadership in Russia in manufacturing stainless steel and alloy pipes, including welded products.

In 2015, TMK-ARTROM took further steps to expand production capacities and extend the share of high value-added product sales. To this end, in 2015, it completed its hydraulic cylinder pipe facility and launched the construction of a heat treatment project.

ENVIRONMENTAL INITIATIVES

TAGMET selected the optimal process flow for waste water treatment and ran a tender to select the equipment supplier.

The Sinarsky Pipe Plant completed the construction of a healthcare centre for its employees and local residents.

CAPEX FORECAST FOR 2016–2017

In 2016–2017, TMK's capex programme will grow to approximately USD 200 m per year. The funds will be mainly used to enhance our finishing operations: heat treatment, pipe finishing, coating and threading operations, coupling production, and improvement of controls.

TMK continues constructing its new R&D facility in Skolkovo, a project that was launched in July 2015. The facility is expected to become the Company's third, and primary, research and development platform. TMK's R&D facility is scheduled to come online in 2017.

1. TMK PROFILE
2. LETTER TO SHAREHOLDERS
3. KEY EVENTS
4. COMPANY OVERVIEW

5. COMPANY'S SECURITIES
6. COST OPTIMISATION AND LIQUIDITY MANAGEMENT
7. CORPORATE GOVERNANCE REPORT

8. CORPORATE CITIZENSHIP
9. MD&A
10. CONSOLIDATED FINANCIAL STATEMENTS

5.

COMPANY'S SECURITIES

At least

25%

of TMK's net profit will be distributed as dividends in line with the Company's policy

TMK's shares are traded on the Moscow Exchange, London Stock Exchange, and the OTCQX trading platform in the United States.



5.1.

SHARE CAPITAL AND DIVIDENDS

NUMBER OF SHARES AS OF 31 DECEMBER 2015:

	NUMBER OF SHARES	%
	2015	2014
TMK Steel Ltd, incl. affiliates* (TMK STEEL HOLDING LIMITED became a shareholder after the report date and is the legal suc- cessor of TMK STEEL LIMITED)	672,030,999	67.75%
TMK subsidiaries	53,580	0.0054%
Free float	319,822,681	32.2432%
TOTAL:	991,907,260	100.00%

* The main beneficiary is Dmitry Pumpyanskiy.

	REG.S	144A
CUSIP:	87260R201	87260R102
SEDOL:	B1FY0V4	B1G3K21
ISIN:	US87260R2013	US87260R1023

As of 31 December 2015, the share capital of PAO TMK was comprised of 991,907,260 fully paid-up ordinary shares, each with a nominal value of RUB 10.

In accordance with the changes to TMK's authorised capital in Q1 2015, it now totals nine billion nine hundred and nineteen million seventy two thousand six hundred roubles (RUB 9,919,072,600) and is divided into nine hundred and ninety-one million nine hundred and seven thousand two hundred and sixty (991 907 260) ordinary registered shares with a nominal value of ten roubles (RUB 10) each (outstanding shares).

TMK has not issued any preferred shares, either outstanding or authorised.

As at 31 December 2015, 32.24% of TMK shares were free float, with approximately 50% of them traded as GDRs on the London Stock Exchange. The TMK Board of Directors and Management Board jointly held a total of 745,919 shares, or 0.075% of the authorised capital. TMK securities are listed on the Russian and international stock exchanges.

Shares are listed on the Moscow Exchange under the TRMK ticker (Bloomberg: TRMK:RM / Reuters: TRMK. MM) and are included in the First Level quotation list.

GDRs are listed on the London Stock Exchange under the TMKS ticker (Bloomberg: TMKS:LI / Reuters: TRMKq.L) in the Main market in the International Order Book, each GDR representing four ordinary TMK shares. The Bank of New York Mellon Corporation (BNY Mellon) acts as the Depositary Bank.

American depository receipts (ADR) are traded on the OTC platform (OTCQX) under the TMKXY ticker (Bloomberg: TMKXY:US / Reuters: TMKXY.PK).

DIVIDEND POLICY

Our dividend policy is governed by the principles of balanced capitalisation growth and higher dividends, based on the net profit received in relevant period and factoring in our operational needs and investment requirements. TMK's Board of Directors generally recommends the General Meeting of Shareholders to pay dividends on the outstanding shares equal to at least 25% of the Company's IFRS consolidated net profit.



Key priorities of our dividend policy include higher capitalisation and investment appeal of the Company, wealth growth, and balancing the interests of all shareholders. Our dividend policy is articulated in the Dividend Policy Regulations (https://www.tmk-group.ru/media_ru/files/51/divpolicy_150307_l.pdf) which seek

to introduce a transparent and efficient mechanism to determine the amount of dividends and the dividend payment procedure, and outline the Board's strategy in issuing recommendations on dividends payable on shares, and terms and procedure of dividend payment.

DIVIDENDS ACCRUED AND PAID BY THE COMPANY BETWEEN 2008 TO 2015

DIVIDENDS	9 months 2008	2009	2010	Total dividends accrued in 2011 RUB 3,403.44 m.		Total dividends accrued in 2012 RUB 2,193.95 m.		Total dividends accrued in 2013 RUB 1,706.41 m		6 months 2014	6 months 2015
				6 months 2011	2011	6 months 2012	2012	6 months 2012	2012		
Total dividends, RUB m	1,527.75	–	796.95	871.96	2,531.48	1,406.38	787.57	975.09	731.32	393.79	2,400.41
Dividend per share, RUB m	1.75	–	0.85	0.93	2.7	1.5	0.84	1.04	0.78	0.397	2.42
Announcement date	07.11.2008	–	28.06.2011	07.11.2011	26.06.2012	02.11.2012	25.06.2013	11.11.2013	19.06.2014	25.12.2014	12.10.2015
Payment date set by the General Meeting	05.01.2009	–	26.08.2011	30.12.2011	24.08.2012	28.12.2012	23.08.2013	10.01.2014	10.08.2014	15.02.2015	29.11.2015

6.

COST OPTIMISATION AND LIQUIDITY MANAGEMENT

USD
115 million –
the economic effect
of the cost optimisation
programme on EBITDA in 2015

In 2015, TMK took further steps to implement its cost optimisation programme to minimise the impact of adverse economic environment on its business.



In the current challenging economic environment, TMK is implementing a range of initiatives focused on key business segments and core assets, cost optimisation, cost saving, and, accordingly, better financial performance.

COST OPTIMISATION PROGRAMME BY COMPONENT, %



- Metal savings
- Materials for technology and removable equipment
- Payroll optimisation
- Repairs
- Energy savings
- Changes in output and product mix
- Reduction of logistics costs
- Other

COST OPTIMISATION PROGRAMME

In 2015, TMK took further steps to implement its cost optimisation programme to minimise the impact of adverse economic environment on its business. The programme is mostly focused on savings of feedstock and materials, and payroll optimisation.

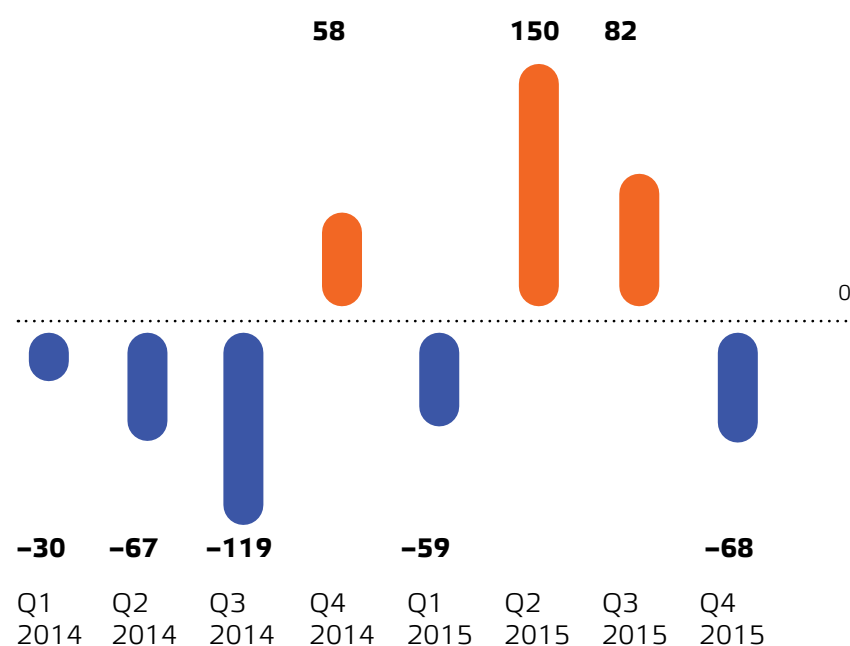
As a result of the cost optimisation programme, the economic effect on EBITDA in the reporting year was estimated at about USD 115 m.

WORKING CAPITAL MANAGEMENT

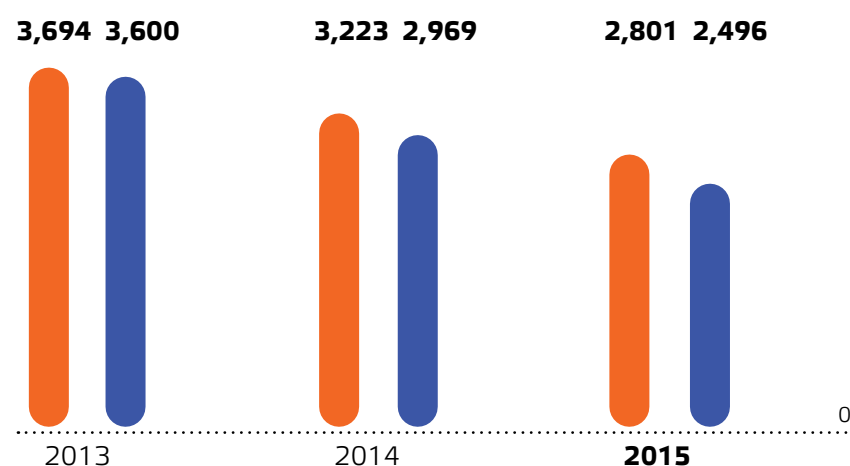
In 2015, we continued optimising our working capital, successfully releasing USD 105 m. These results were delivered through a range of inventory management measures and improved payment discipline among our major customers.

USD	2014				2015				2014	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	12M	12M
Increase/(decrease) in inventories	(22)	(25)	(63)	(21)	6	92	(39)	(19)	(130)	40
Decrease/(increase) in trade and other receivables	27	6	(91)	(19)	(6)	121	49	(45)	(76)	119
Increase/(decrease) in prepayments	6	(3)	0	(24)	12	7	(29)	(2)	(21)	(12)
Increase/(decrease) in trade and other payables	(28)	(44)	44	69	(46)	(77)	(19)	(6)	41	(148)
Increase/(decrease) in advance payments from buyers and customers	(14)	(2)	(10)	52	(24)	6	120	4	26	106
Working capital, USD m	(30)	(67)	(119)	58	(59)	150	82	(68)	(159)	105

CHANGES IN WORKING CAPITAL, USD m



TOTAL DEBT AND NET DEBT, USD m



LIQUIDITY MANAGEMENT

During the reporting year, TMK continued implementing its deleveraging strategy. In particular, we succeeded in reducing our financial debt from USD 3,223 m as of 31 December 2014 to USD 2,801 m as of 31 December 2015, partially due to rouble depreciation against the US dollar. In 2015, net debt repayment was USD 193 m. Net debt was down to USD 2,496 m as compared to USD 2,969 m as of 31 December 2014.

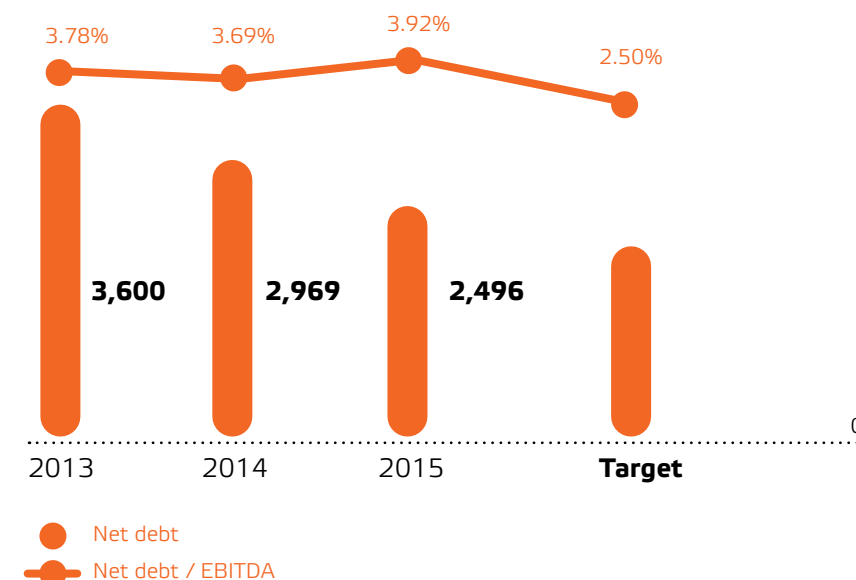
As in previous periods, one of the Company's strategic goals is reducing its Net Debt / EBITDA ratio to 2.5x. We assume that this target is achievable subject to recovery and stability of financial performance by TMK's American division.

Our debt portfolio comprises a variety of instruments, including bank loans and bonds. As of 31 December 2015, TMK's debt portfolio was USD 2,738 m as compared to USD 3,148 m as at 31 December 2014.

The share of short-term outstanding debt reduced to 21% as of 31 December 2015 as compared to 24% as at 31 December 2014.

Outstanding debts to major Russian banks account for c. 90% of the Company's debt portfolio. Weighted average nominal interest rate was 9.06% as of 31 December 2015 versus 7.26% as at 31 December 2014.

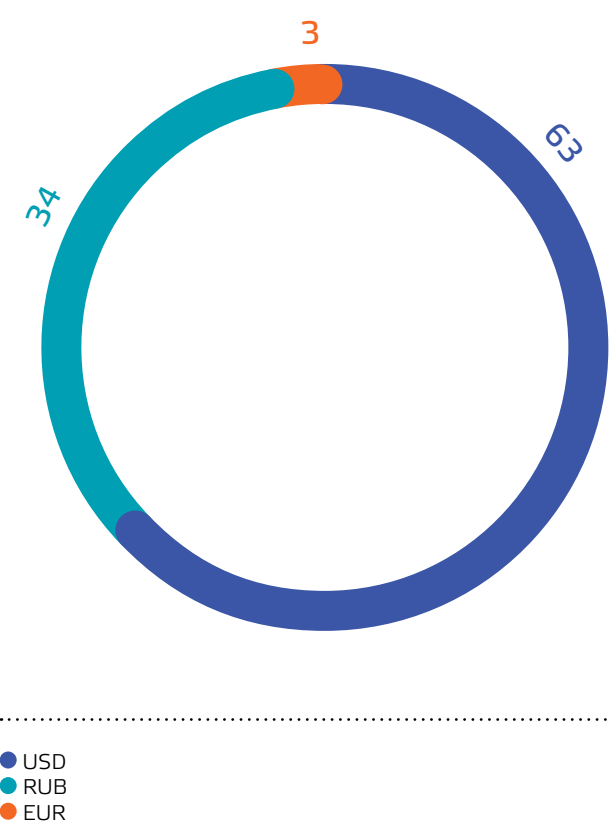
CHANGES IN NET DEBT / EBITDA RATIO, USD m, %



DEBT REPAYMENT SCHEDULE AS OF 31 DECEMBER 2015, USD m



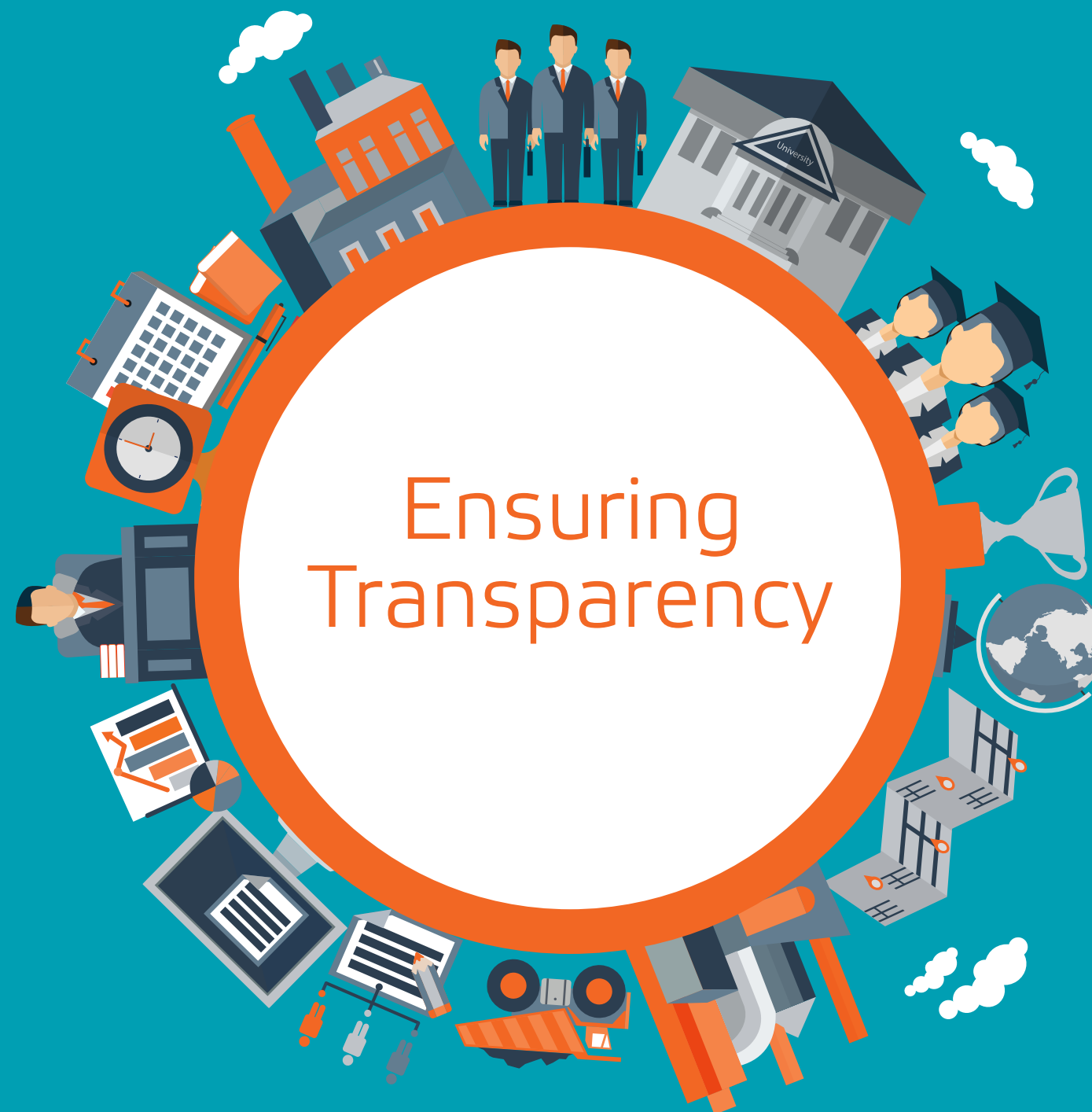
DEBT BY CURRENCY, %



7. CORPORATE GOVERNANCE REPORT

5 Board members are Independent Directors

TMK's Board of Directors is structured to ensure the balance of experience, skills and independence, which enables the Board to manage the Company in an efficient and competent manner and make decisions in line with the best interests of the Company and its shareholders.



7.1.

PAO TMK BOARD OF DIRECTORS' STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES SET OUT IN THE CORPORATE GOVERNANCE CODE RECOMMENDED BY THE BANK OF RUSSIA TO ISSUERS OF LISTED SECURITIES

The corporate governance system of PAO TMK incorporates all regulatory and listing requirements, as well as the best corporate governance practices and standards.

In 2011, TMK, as a company with a London Stock Exchange standard listing, adopted the Corporate Governance Code of PAO TMK ("TMK's Corporate Governance Code") and since then has published annual reports on its compliance with the Code's provisions. The reporting year saw many improvements in the Company's internal documents; they were also reviewed and amended to bring them in line with the new and amended listing rules of MICEX Stock Exchange and the Corporate Governance Code recommended by the Bank of Russia (the "Russian Corporate Governance Code"). We have met all our commitments for 2015 undertaken in TMK's 2014 Annual Report to implement the Code (<http://report2014.tmk-group.ru/0610.html>).

In June 2015, the Annual General Meeting of Shareholders approved a revised version of PAO TMK's Articles of Association and revised versions of corporate regulations governing the activities of management bodies, including the Regulations on the General Meeting of Shareholders, Regulations on the Board of Directors, and Regulations on the Management Board. A revised version of the Regulations on the Revision Committee was approved at the same meeting.

We continued to improve corporate documents in the second half of 2015. In November, the Board of Directors approved revised versions of the Regulations on the Audit Committee of the Board of Directors and Regulations on the Internal Audit Department of PAO TMK. In addition, two new important documents were developed to enhance our corporate governance framework – the Internal Audit Policy of TMK Group

and the Regulation on the Corporate Secretary of PAO TMK (approved by the Board of Directors on 27 January 2016). A revised version of the Regulations on the Nomination and Remuneration Committee of PAO TMK was also approved in January 2016.

Having adopted the above documents, PAO TMK now meets all the corporate governance requirements set out in the MICEX Stock Exchange listing rules for issuers whose shares are included in the highest level quotation list.

An external auditor was engaged in the reporting period to assess performance of the Board of Directors. Assessment results are used to improve procedures of the Board of Directors and its committees.

The implementation of the Russian Corporate Governance Code's recommendations required an extra effort to revise the Company's existing framework, and develop an action plan and timelines for the introduction of new procedures. This effort also helped us to identify certain gaps with best practices. The members of the Board of Directors and the Company's management took a proactive approach when discussing the implementation of the Code in the MICEX Share Issuers Committee, at stock market conferences and during public discussions on the regulatory initiatives published on the Bank of Russia's website.

Our approach views the Code primarily as a summary of the international best practices supporting Russian companies in their conscious effort to improve their



corporate governance frameworks as and when required. Stimulated by the regulator, the process of adopting the Code's recommendations should take into account the specifics and maturity level of the Russian stock market, as well as the issuers' costs of implementing the recommendations.

For instance, the applicable MICEX Stock Exchange listing rules set stricter requirements/recommendations for the Corporate Secretary. This required reallocation of roles and responsibilities within the Company and separate regulations on the Corporate Secretary to formalise his/her status, functions, rights and duties, as well as requirements to nominees, appointment and removal procedures, and remuneration arrangements. The Regulations on the Corporate Secretary were approved by the Board of Directors in January 2016 and published on TMK's website at https://www.tmk-group.ru/media_ru/files/51/tmk_pol_korp_sec2016.pdf

The corporate governance system of PAO TMK follows the guidelines set out in the Russian Corporate Governance Code. It is regulated by the Company's internal policies, available on TMK's website (<http://www.tmk-group.ru/Documents>) and outlined in TMK's Corporate Governance Code (http://www.tmk-group.ru/media_ru/files/51/corp_gov_code_ru.pdf). In 2015, TMK's corporate governance practices were in full compliance with the Company's Corporate Governance Code. This Report summarises the most significant aspects of TMK's corporate governance model and practices, including the Report on the Company's compliance

with the principles and recommendations set out in the Corporate Governance Code (appended to this Annual Report). Compliance with the corporate governance principles set out in the Russian Corporate Governance Code was assessed in accordance with the Bank of Russia's guidelines (Bank of Russia's Letter No. IN-06-52/8 dated 17 February 2016).

When assessing the compliance, the Board of Directors applied the substance over form principle and concluded that the Company followed the vast majority of the Code's recommendations (63 followed, 15 partly followed and 1 not followed).

The reasons for non-compliance with certain recommendations of the Code, the alternative options used in the Company, and our plans to implement the missing recommendations are detailed in the Report on the Company's compliance with the principles and recommendations set out in the Code.

We reaffirm our commitment to the principles contained in the Russian Corporate Governance Code and will continue to make consistent efforts to fully implement them to the benefit of all stakeholders.

Dmitry PUMPYANSKIY
CHAIRMAN OF THE BOARD
OF DIRECTORS OF PAO TMK



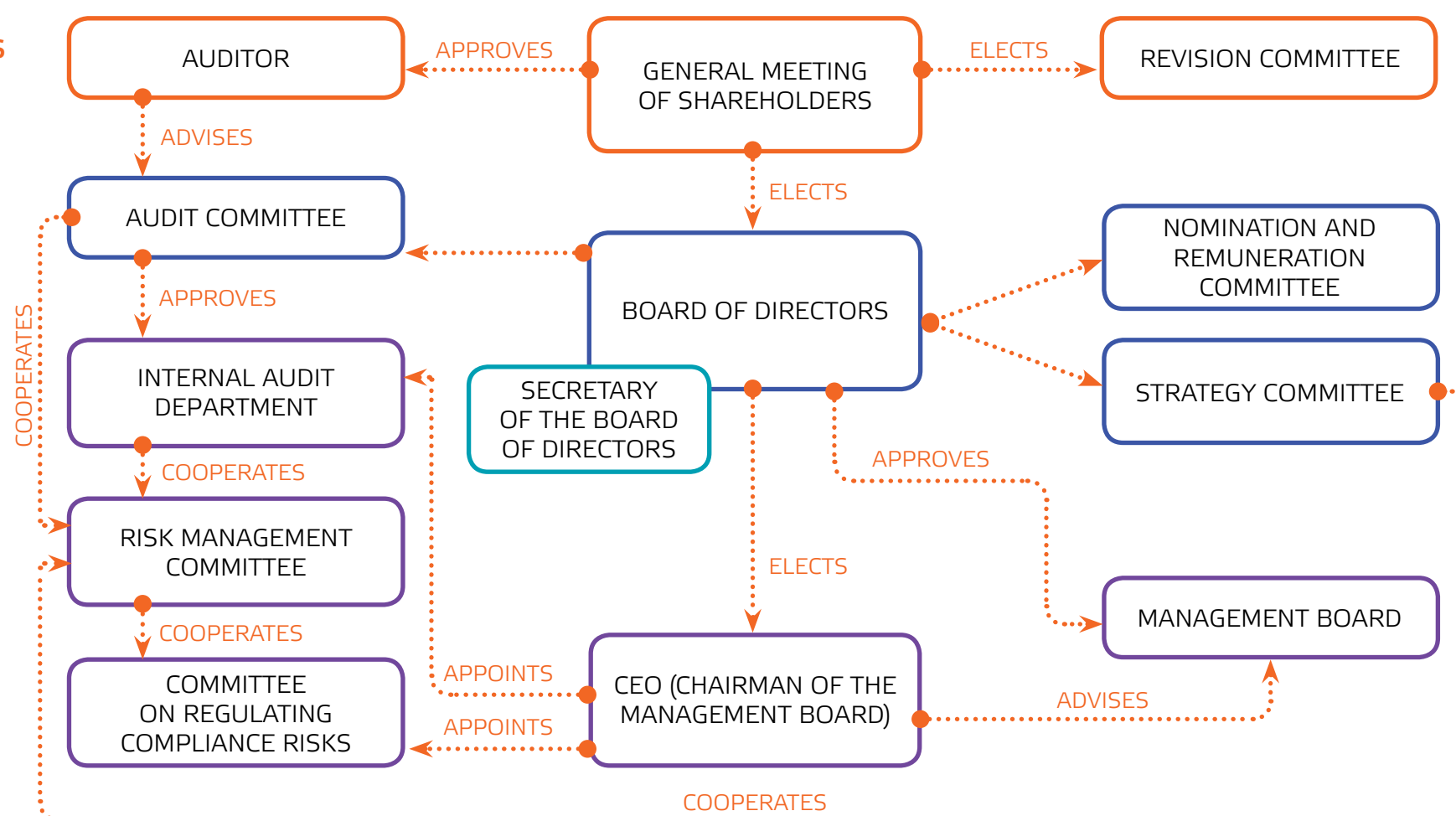
7.2. PAO TMK'S CORPORATE GOVERNANCE STRUCTURE

The General Meeting of Shareholders is PAO TMK's highest governance body, with the primary governance powers delegated by shareholders to the Board of Directors. In order to ensure the Company's day-to-day management the Board of Directors elects the CEO and approves the members of the Management Board as advised by the CEO. The Board of Directors also nominates candidates to executive bodies and to the Board of Directors of PAO TMK's controlled entities.

It establishes committees, whose resolutions are of an advisory nature. To ensure efficient control over the Company's financial and economic activities, as well as

compliance with the Russian laws and regulations, the General Meeting of Shareholders elects the Revision Committee and approves the Company's auditor.

PAO TMK'S CORPORATE GOVERNANCE STRUCTURE



7.3. RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS

Shareholders may exercise their rights set forth in the Company's Articles of Association primarily by participating in the General Meeting, as well as by determining the amount and procedures of dividend payment.

We comply with all recommendations on material corporate actions, which allows us to protect the rights of shareholders and ensure equitable treatment.

The General Meeting of Shareholders is convened annually. In addition, extraordinary meetings may be held, if so resolved by the Board of Directors or requested by the Revision Committee, auditor or shareholder(s) holding at least ten per cent of shares.

Shareholders owning at least two per cent of shares may put forward proposals as regards the agenda for the Annual General Meeting, propose candidates to the Board of Directors, the Revision Committee, and the Counting Commission, as well as convene Board of Directors meetings.

In 2015, the Annual General Meeting of Shareholders was held, along with two extraordinary meetings. The

meetings' agenda included, inter alia, approval of the revised version of the Company's Articles of Association, revised versions of regulations on management bodies and the Revision Committee, annual report and annual financial statements, distribution of profits for 2014 and 1H 2015, election of the Board of Directors and the Revision Committee, auditor approval, and approval of related-party transactions.

Our Dividend Policy sets out the key terms for paying out dividends, the procedure for determining their amount and for a resolution to pay them, as well as responsibility for partial or delayed distribution (http://www.tmk-group.ru/media_ru/files/51/divpolicy_150307_l.pdf). See the Company's Share Capital and Securities section for details on dividend payments in 2015.



7.4. BOARD OF DIRECTORS

PAO TMK's Board of Directors is structured to ensure the balance of experience, skills and independence of directors, which enables the Board to manage the Company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the Company and its shareholders. The Board of Directors is composed of individuals who have impeccable business and personal reputations and the appropriate balance of skills and expertise to enable them to discharge their respective duties and responsibilities effectively.

MEMBERS OF THE BOARD

Dmitry Pumpyanskiy, Chairman of PAO TMK's Board of Directors, is included in the Top-25 list of Board of Directors Chairmen of Russian Companies, with the Company's four independent directors, Mikhail Alekseev, Peter O'Brien, Alexander Shokhin and Oleg Schegolev, included in the Top-50 Independent Directors list in 2014 and 2015, as ranked by the Independent Directors Association (Russia).

Starting from 2006, the Company has maintained liability insurance for its directors and officers, in line with best practice in corporate governance. Liability insurance covers the insured persons against any possible damage caused by unintentional errors (or omissions) in the course of managing the Company. The terms and conditions of insurance contracts, including risk coverage, comply with the international practice of similar risk insurance.

In 2015, new members were elected to the Board of Directors. On 23 June 2015, the Annual General Meeting of Shareholders elected RUSNANO's CEO Anatoly Chubais as a new member of the Board. RUSNANO holds a 5.4764% interest in PAO TMK. Elena Blagova, Deputy CEO for Special and New Projects of PAO TMK, left the Board of Directors.

The number of Directors on the Board remained unchanged and included eleven members as of the

Annual Report date. No other changes occurred in the membership of PAO TMK's Board of Directors in 2015. As of the Annual Report date, five out of eleven directors were independent: they did not depend on the Company's officials, affiliates, significant counterparties or competitors, or state agencies that might challenge their impartiality. The directors are independent in accordance with the criteria set out both in TMK's and Russian Corporate Governance Codes. In particular, Paragraph 109 of the Russian Corporate Governance Code specifies that the Board of Directors may recognise a Director as independent even if the Director has a relationship with the issuer. Alexander Shokhin, who has been on the Board of Directors for over seven years, is recognised as independent because he has an established reputation in the investment community, and independence of his position does not raise any doubt.

The independent status is to be confirmed by the Nomination and Remuneration Committee each time a Director is elected to the Board. An external auditor has also confirmed that the Company's independent directors meet the independence criteria.

As of 31 December 2014, following the Annual General Meeting of Shareholders of 23 June 2015, PAO TMK's Board of Directors was composed as follows:



Dmitry
PUMPYANSKIY

CHAIRMAN OF THE BOARD OF DIRECTORS,
NON-EXECUTIVE DIRECTOR.

Born in 1964. Graduated from Kirov Urals Polytechnic Institute in 1986. PhD in Technical Sciences, Doctor of Economics. Founder and beneficial owner of TMK. Has been with TMK since 2002, sitting on the Board of Directors since 2004, and Chairman of the Board of Directors since 2005. Mr Pumpyanskiy was awarded a second class Medal of the Order for Merit to the Fatherland, a Forth class Order for Merit to the Fatherland and Order of Honour, is a Russian Government prize winner in Science and Technology, was conferred an Honorary Metallurgist title and pronounced the winner of the 6th Director of the Year National Award in Chairman of the Board: Contribution to the Development of Corporate Governance category in 2011. At present, extensively involved in public activities aimed at promoting the Russian metals industry. Fields of interest: metals industry economics and physics of metals. Authored four monographs and over 70 scientific papers.

PRINCIPAL PLACE OF EMPLOYMENT:
President of Sinara Group.

RELEVANT EXPERIENCE:

Member of the Management Board of the Chamber of Commerce and Industry of the Russian Federation, Chairman of the Board of Trustees of the Russian Ski-Jumping and Nordic Combined Federation, Chairman of the Supervisory Board of the Ural Federal University, member of the Board of Directors of Sinara – Transport Machines, SKB-Bank and Non-profit Organisation Foundation for Development of the Centre for Elaboration and Commercialisation of New Technologies, member of the Board of Trustees of the ISTOKI Endowment Fund, President of the Regional Employers' Association – Sverdlovsk Regional Union of Industrialists and Entrepreneurs (Employers), Chairman of the Board of Directors of Sinara Group, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, member of the Supervisory Board of Non-Profit Partnership Russian Steel. Formerly, Board member at various industrial and financial companies, CEO at TMK, top executive at Russian metals and pipe companies.

Directly holds 0.0066% in the authorised capital of TMK.



Mikhail ALEKSEEV

INDEPENDENT DIRECTOR, CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE, MEMBER OF THE AUDIT COMMITTEE. MEMBER OF THE BOARD OF DIRECTORS SINCE 2011.

Born in 1964. Graduated from the Moscow Finance Institute in 1986 and completed a postgraduate degree programme there in 1989, Doctor of Economics.

PRINCIPAL PLACE OF EMPLOYMENT:

Chairman of the Management Board at UniCredit Bank.

RELEVANT EXPERIENCE:

Chairman of the Board of Directors of RN Bank, member of the Board of Directors of PAO Aeroflot and PAO TMK, member of the Management Board of BARN B.V. (the Netherlands), member of the Board of the

Association of Regional Banks of Russia, Chairman of the Supervisory Board of UniCredit Leasing, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs. Formerly, member of the Board of Directors at Rostelecom, member of the Strategy Committee of OAO TMK, member of the Board of Directors of MICEX, a number of financial companies, member of the Board of the Association of Russian Banks, Chairman of the Board and CEO of Rosprombank, Senior Vice President and Deputy Chairman of the Management Board of Rosbank, Deputy Chairman of the Management Board of ONEXIM Bank, Board member at Intersectoral Commercial Bank (Mezhkombank), Deputy Head of the General Directorate of the Ministry of Finance of the USSR.

Holds no shares in TMK.



Andrey KAPLUNOV

EXECUTIVE DIRECTOR.

Has been with TMK since 2001, member of the Board of Directors since 2005. Born in 1960. Graduated from the Moscow Finance Institute in 1982 and later completed a postgraduate degree programme there, PhD in Economics. Commended by the Ministry of Industry and Trade of the Russian Federation.

PRINCIPAL PLACE OF EMPLOYMENT:

First Deputy CEO of TMK.

RELEVANT EXPERIENCE:

member of the Management Board of PAO TMK, Chairman at TMK's Russian pipe plants and TMK Trade House, member of the Board of Directors of Sinara Group, Deputy Chairman of the Board of Directors

of SKB-Bank, Board member at the Big Pension Fund, member of the Board of Trustees of the Sinara Mini-Football Club (Sverdlovsk Regional Sports Non-Governmental Fund). Formerly, Director of the HR and Development at Inkombank and Rosbank, Vice President of Guta-Bank, Deputy Head of the Currency and Finance Department at Zarubezhneft, Associate Professor at the Economic Theory Department of the Moscow Finance Institute.

Holds 0.011 % in the authorised capital of TMK.



Peter O'BRIEN

INDEPENDENT DIRECTOR, CHAIRMAN OF THE AUDIT COMMITTEE, MEMBER OF THE BOARD OF DIRECTORS SINCE 2012.

Born in 1969. Graduated from Duke University (USA) in 1991 and obtained an MBA from Columbia University Business School in 2000. Took a course in AMP (Advanced Management Program) at Harvard Business School in 2011. In 2008, Mr O'Brien won the National Award of the Independent Directors Association in the Contribution to the Improvement of Corporate Transparency special category.

RELEVANT EXPERIENCE:

Member of the Board of Directors of T Plus, Chairman of the Board of Directors of TransFin-M. Formerly, Member of the Board of Directors and Chairman of the Audit

Committee at IGSS, member of the Supervisory Board of the European Pension Fund, Chairman of the Board of Directors at RusRailLeasing, member of the Board of Directors and Chairman of the Audit Committee at HRT Partipacoes, member of the Management Board, Vice President, Head of the Group of Financial Advisors to the President of Rosneft, Executive Director of Morgan Stanley in Russia, Vice President at Troika Dialog Investment Company, officer at the Press Center of the US Department of the Treasury.

Holds no shares in TMK.



Sergey PAPIN

NON-EXECUTIVE DIRECTOR, MEMBER OF THE BOARD OF DIRECTORS SINCE 2005, MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE.

Has been with TMK since 2002. Born in 1955. Graduated from Donetsk Polytechnic Institute in 1977. Mr Papin was awarded a Badge of Honour and a certificate of merit from the Ministry of Industry and Energy of the Russian Federation.

PRINCIPAL PLACE OF EMPLOYMENT:

Vice President, member of the Board of Directors of Sinara Group.

RELEVANT EXPERIENCE:

Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, member of the

Boards of Directors of Kalugaputmash, Ural Locomotives, Burgas Resort, Arkhyz – Sinara and Sinara – Transport Machines. Formerly, member of the Boards of Directors of Intourist-Sinara, Lyudinovsky Locomotive Plant, Ural Rolling Stock Manufacturing Plant, Deputy CEO for External and Special Projects at TMK, Vice President of Inkombank and Guta-Bank.

Directly holds 0.007% in the authorised capital of TMK.



Robert Mark
FORESMAN

INDEPENDENT DIRECTOR, MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE, MEMBER OF THE BOARD OF DIRECTORS SINCE 2012. Born in 1968. Graduated from Bucknell University (USA) in 1990 and Harvard University Graduate School of Arts and Sciences in 1993. Obtained a certificate from the Moscow Power Engineering Institute in 1989.

PRINCIPAL PLACE OF EMPLOYMENT: Managing Director of Barclays PLC, Barclays Country Manager for Russia.

RELEVANT EXPERIENCE: President of Barclays Capital in Russia; formerly, member of the Supervisory Board of Vnesheconombank's VEB Capital, Deputy Chairman of the Management Board at

Renaissance Capital, member of the Supervisory Board of Evrofinance Mosnarbank, Chairman of the Management Committee for Russia and CIS at Dresdner Kleinwort Wasserstein, Head of Investment Banking for Russia and CIS at ING Barings. Worked for the International Finance Corporation on private equity transactions and project financing.

Holds no shares in TMK.



Igor KHMELEVSKIY

NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT COMMITTEE. HAS BEEN WITH TMK SINCE 2003, MEMBER OF THE BOARD OF DIRECTORS SINCE 2004. Born in 1972. Graduated from the Ural State Law Academy and Shadrinsk State Pedagogical Institute in 1995, awarded a certificate of merit from the Ministry of Industry and Energy of the Russian Federation.

PRINCIPAL PLACE OF EMPLOYMENT: Vice President at Sinara Group.

RELEVANT EXPERIENCE: Member of the Board of Directors of Sinara Group, Director of Bravecorp Limited, Tirelli Holdings Limited

and Sinara Capital Management. Formerly, Director of Fudberg Holding Ltd, TMK Global AG and TMK Steel Limited, Member of the Administrative Board of TMK-Artrom S. A., Deputy CEO for Legal Practice at TMK, Head of the Legal Department at Sinara Group.

Holds no shares in TMK.



Anatoly CHUBAIS

NON-EXECUTIVE DIRECTOR. MEMBER OF THE STRATEGY COMMITTEE.

Born in 1955. Graduated from the Saint Petersburg State University of Engineering and Economics in 1977.

PRINCIPAL PLACE OF EMPLOYMENT:

Chairman of the Management Board of RUSNANO Management Company.

RELEVANT EXPERIENCE:

member of the Board of Directors of RUSNANO Management Company (until 10 February 2014), member of the Board of Directors of RUSNANO, member of the

Board and the Committee on Innovation Policies and Innovative Entrepreneurship of the Russian Union of Industrialists and Entrepreneurs. Sits on management bodies and boards of trustees at a number of commercial and not-for-profit organisations. Three times commended by the President of Russia (1995, 1997 and 1998).

Holds no shares in TMK.



Oleg SCHEGOLEV

INDEPENDENT DIRECTOR, MEMBER OF THE STRATEGY COMMITTEE, MEMBER OF THE BOARD OF DIRECTORS SINCE 2012.

Born in 1962. Graduated from the Moscow Finance Institute in 1984.

RELEVANT EXPERIENCE:

First Vice President at Russneft, First Deputy Chairman of the Management Board and First Deputy CEO at Itera, Executive Director at Slavneft, Chairman and Board member of various oil & oilfield service companies, Deputy Head of the Department for Long-Term Planning of the Fuel and Energy Complex at the Ministry of Energy

of the Russian Federation, chief expert, deputy head, head of a department at Sibneft (now Gazprom Neft).

Member of the Supervisory Board of the Independent Directors Association of Russia.

Holds no shares in TMK.



Alexander SHIRYAEV

EXECUTIVE DIRECTOR.

Has been with TMK since 2003, member of the Board of Directors since 2005. Born in 1952. Graduated from the Sverdlovsk Institute of National Economy in 1991. Mr Shiryayev was awarded by the Sverdlovsk Region with a second class Badge of Merit and an Honorary Metallurgist title.

PRINCIPAL PLACE OF EMPLOYMENT:

CEO of PAO TMK.

RELEVANT EXPERIENCE:

Chairman of the Management Board of TMK, member of the Board of Directors at TMK's Russian pipe plants, Chairman of the Board of Orsky Machine Building Plant, member of the Board of Sinara Group and TMK Trade House. Formerly, Deputy CEO for Development and CEO at Sinara Group, Chief Financial Officer at TMK, CEO at Uralshina.

Holds 0.016% in the authorised capital of TMK.



Alexander SHOKHIN

INDEPENDENT DIRECTOR, CHAIRMAN OF THE STRATEGY COMMITTEE. MEMBER OF THE BOARD OF DIRECTORS SINCE 2008.

Born in 1951. Graduated from Lomonosov Moscow State University in 1974, Doctor of Economics, Professor. Mr Shokhin was awarded with third and fourth class Orders for Merit to the Fatherland, Order of Honour, second class Order of Holy Prince Daniel of Moscow and a medal in commemoration of the 850th Anniversary of Moscow. In 2008, he won the National Award of the Independent Directors Association in the Independent Director category.

PRINCIPAL PLACE OF EMPLOYMENT:

President of the Russian Union of Industrialists and Entrepreneurs.

RELEVANT EXPERIENCE:

President of the Russian Union of Industrialists and Entrepreneurs, President of the National Research University Higher School of Economics, member of the

Board of Directors of Eurasia Drilling Company Limited, member of International Advisory Board and Senior Advisor at the Russian Office of Bank of America Merrill Lynch. Formerly, member of the Strategy Committee of TMK, member of the Board of Directors of Russian Railways, member of the Boards of Directors of Baltika Breweries, Fortum, TNK-BP Limited, Lukoil, Burovaya Kompaniya Eurasia, member of the Public Chamber of the Russian Federation, Chairman of the Supervisory Board at Renaissance Capital Investment Group, deputy of the State Duma (three convocations), Minister of Labour and Employment and Minister of Economy, Head of the Russian Agency for International Cooperation and Development, worked as Deputy Head of the Russian Government twice, former Russia's representative to the IMF and World Bank.

Holds no shares in TMK.



As of 31 December 2015, the members of the Board of Directors held no interests in affiliated companies and did not enter into PAO TMK shares acquisition/disposal transactions (changes in the shareholdings of the members of the Board of Directors in the authorised capital of PAO TMK were due to the issuance of additional shares); there is no conflict of interest.

Maxim KURBATOV

SECRETARY OF THE BOARD OF DIRECTORS
(CORPORATE SECRETARY).

Born in 1967. Graduated from Kirov Urals Polytechnic Institute, the Academy of National Economy under the Government of the Russian Federation and the Moscow State Law Academy. Has been with TMK since 2002. Headed the CEO's Executive Office and the Corporate

Governance function. Has been the Secretary of the Board of Directors since 2005.

ACTIVITIES OF THE BOARD
OF DIRECTORS IN 2015

In 2015, the Board of Directors held 40 meetings, including eight meetings in person.

The most significant issues discussed at the Board meetings were as follows:

- Investment programme for 2016
- TMK's target organisational structure for 2016
- Consolidated budget for 2016
- Management accounts and consolidated financial statements
- Adjustments to the business plan for 2015–2020
- Market situation and sales programme for 2016
- Performance of the Company's divisions in 2014
- Recommendations for the General Meeting of Shareholders on the dividend payout for 2014 and interim dividend payout for 1H 2015.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

In accordance with Russian laws (Article 64 of the Federal Law on Joint Stock Companies), members of the Board of Directors may be remunerated, if so resolved by the General Meeting of Shareholders. TMK shareholders have adopted the following principles and procedures outlined in the Regulations on the Board of Directors with respect to its remuneration:

- Only non-executive directors are entitled to remuneration for the performance of their duties
- The remuneration is to be fair and is to match long-term interests of shareholders
- The remuneration to be paid includes:
 - A fixed base remuneration of the Chairman or a member of the Board payable on a monthly basis in the amount of 1/12 of the fixed annual amount
 - Additional remuneration for the performance of the duties of the Chairman or a member of a Board Committee payable every six months in the amount of 1/2 of the approved annual additional remuneration.

Prior to the Annual General Meeting of Shareholders, the Board of Directors had 5 independent directors, 3 non-executive directors and 3 executive directors. After the Annual General Meeting of Shareholders, the Board of Directors comprises of 5 independent directors, 4 non-executive directors and 2 executive directors.

In 2015, the members of the Board of Directors received a total of USD 2.30 m in remuneration, including USD 2.13 m as remuneration for their work in management bodies and USD 0.17 m as reimbursement of expenses incurred.



7.5. COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three standing committees: Audit Committee, Nomination and Remuneration Committee and Strategy Committee.

The committees have been formed in compliance with the Corporate Governance Code of PAO TMK, which specifically requires that the Audit Committee and the Nomination and Remuneration Committee include independent directors only or, if reasonably impossible, independent directors and non-executive directors only.

In 2015, the composition of the Strategy Committee changed as Anatoly Chubais was elected its member and Alexander Shiryayev stepped down. The composition of other committees remained unchanged.

PARTICIPATION OF BOARD MEMBERS IN THE BOARD AND COMMITTEE MEETINGS IN 2015

	BOARD OF DI- RECTORS	AUDIT COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE	STRATEGY COMMITTEE
	(40 meetings)	(7 + 1 joint meetings)	(5 meetings)	(3 + 1 joint meetings)
D. Pumpyanskiy (Chairman)	40			
M. Alekseev	40	6	5	
A. Kaplunov	40			
Peter O'Brien	40	8		
S. Papin	40		5	
E. Blagova	16(17)*			
R. Foresman	40		4	
I. Khmelevskiy	40	8		
A. Chubais	21(23)*			—
A. Shiryayev	40			2 (2)*
A. Shokhin	40			3
O. Schegolev	40			4

* Bracketed figures denote the number of meetings of a Director who was simultaneously a member of the Board of Directors and a member of the relevant committee.

AUDIT COMMITTEE

Peter O'Brien	Chairman of the Audit Committee, independent director
Mikhail Alekseev	Member of the Audit Committee and Chairman of the Nomination and Remuneration Committee, independent director
Igor Khmelevskiy	Member of the Audit Committee, non-executive director

THE AUDIT COMMITTEE'S PRINCIPAL ACTIVITIES INCLUDED THE FOLLOWING:

- Review of completeness, accuracy and reliability of consolidated and separate accounting (financial) statements of PAO TMK
- Assessment of the Company's external auditors for independence, objectivity and absence of a conflict of interest; oversight of external audit and its quality
- Control of reliability and effectiveness of the risk management and internal control system
- Safeguarding the independence and objectivity of internal audits of the Company, internal control issues, and performance assessment of the internal audit function
- Monitoring the effectiveness of the management information system used to report irregularities in the Company.

All functions of the Committee are listed in the Regulations on the Audit Committee of PAO TMK. The full text is available on the Company's website at https://www.tmk-group.ru/media_ru/files/51/pol_kom_aud2015.pdf.

Each Committee member has knowledge and experience required to perform their duties. Peter O'Brien, Chairman of the Audit Committee, and Mikhail Alekseev, Member of the Audit Committee, comply with the Russian Corporate Governance Code recommendations for the reporting review and assessment competencies.

ASSESSMENT

Performance of the Committee was assessed as part of a broader assessment of the Board of Directors by an independent external auditor. According to the auditor's opinion, the Committee's performance has improved over the past few years, and key priorities on the annual agenda are properly addressed.

MEETINGS

Ten meetings were held in 2015 and between 1 January 2016 and 31 March 2016, including one joint meeting with the Strategy Committee. Members of the Committee also had several meetings with the head of the Internal Audit Department and the leader of the external audit team, held without participation of the Company's executives.

PRINCIPAL ACTIVITIES

IN 2015 AND BETWEEN 1 JANUARY 2015 AND 31 MARCH 2015, THE AUDIT COMMITTEE'S PRINCIPAL ACTIVITIES INCLUDED THE FOLLOWING:

- Analysis of the accounting policies and review of completeness, accuracy and reliability of the Company's accounting (financial) statements
- Presentation of recommendations to the Board of Directors in respect of the Internal Audit Policy and revisions of the Regulations on the Audit Committee and Regulations on the Internal Audit Department

- Review of the plans and reports of the Internal Audit Department, assessment of the Department's performance
- Cooperation with the Revision Committee
- Review of the audit plan and scope, active discussions with the external auditor of matters arising out of the audit
- Performance assessment of the risk management and internal control systems.

The Committee heard reports of the chairmen of the Revision Committee, Internal Audit Department, Risk Management Committee and Committee on Regulating Compliance Risks reporting to the CEO.

The Committee reviewed the following key matters regarding the preparation and audit of TMK's FY 2015 and interim consolidated and separate accounting (financial) statements:

- Development of the audit plan for the consolidated financial statements of PAO TMK and its subsidiaries prepared in accordance with the International Financial Reporting Standards (IFRS)
- External auditor's opinion on PAO TMK's accounting (financial) statements prepared under the Russian law and on PAO TMK's IFRS consolidated financial statements
- Review of the letter from the external auditor regarding internal control issues, based on the results of the annual audit, assessment of the Company's

existing controls for the preparation of accounting (financial) statements

- Assessment of the external auditor's performance and quality of services.

Following the review of external audit results, the Audit Committee concluded that the audit had been carried out to professional standards.

The Audit Committee gave a positive assessment of the current risk management and internal control framework.

The Audit Committee reviewed PAO TMK's financial statements prepared under the Russian accounting (financial reporting) standards together with the auditor's opinion and recommended that the Board of Directors submit the annual accounting (financial) statements for approval at the Annual General Meeting of Shareholders.



NOMINATION AND REMUNERATION COMMITTEE

Mikhail Alekseev	Chairman of the Nomination and Remuneration Committee and member of the Audit Committee, independent director
Sergey Papin	Member of the Nomination and Remuneration Committee, non-executive director
Robert Mark Foresman	Member of the Nomination and Remuneration Committee, independent director

The Nomination and Remuneration Committee seeks to create a favourable environment for the engagement of qualified personnel in the Company's governance and incentives for their efficient performance, as well as to streamline the corporate governance system and align it with international best practices.

DURING THE REPORTING PERIOD, THE COMMITTEE REVIEWED AND PRESENTED TO THE BOARD OF DIRECTORS RECOMMENDATIONS THAT INCLUDED:

- Management efficiency improvements, and streamlining the organisational structure and optimising headcount of executives, officers and employees in TMK's Russian division
- Organisational and staff matters in the operation of TMK's American and Middle East divisions and TMK Oilfield Services of the Russian division in 2015
- Remuneration to the Company's managers for 2014, key performance indicators and remuneration arrangements in 2015
- Harmonisation of remuneration practices across the Russian division's pipe plants
- Proposals to incorporate indicators related to TMK's market capitalisation into incentives for top managers
- Results of the performance assessment of PAO TMK's Board of Directors
- Remuneration to the members of the Board of Directors
- Key headcount and payroll indicators for TMK's 2016 budget
- Development of the corporate governance practice; report on compliance with the principles and recommendations set out in TMK's Corporate Governance Code

- New revision of the Regulations on the Nomination and Remuneration Committee
- Draft Regulation on the Corporate Secretary of PAO TMK¹
- Report on activities of the Nomination and Remuneration Committee in the corporate year.

Additionally, the Committee presented to the Board of Directors recommendations on electing the Chairman and members of the Board and its Committees for the 2015/2016 corporate year, as well as on the affirmation of the CEO's authority for a new period and on electing the members of the Management Board.

The Committee carried out comprehensive assessment of the corporate governance framework and outlined its development objectives. The Committee's recommendations aided the Board of Directors in making well-balanced decisions supported by effective implementation and control tools.

In the reporting period, the Committee followed the approved Regulations on the Nomination and Remuneration Committee and the Action Plan, which was duly amended on an as-needed basis to match the Company's priorities.

The Committee meetings were regularly attended by TMK's top executives and top managers, which facilitated efficient communication and resulted in more thought-out and constructive recommendations.

¹ The revised versions of the Regulations on the Nomination and Remuneration Committee and the Regulation on the Corporate Secretary were approved by the Board of Directors in the first quarter of 2016.



STRATEGY COMMITTEE

Alexander Shokhin	Chairman of the Strategy Committee, independent director
Oleg Schegolev	Member of the Strategy Committee, independent director
Anatoly Chubais	Member of the Strategy Committee, non-executive director

The Strategy Committee's duties are to develop recommendations on the Company's business priorities and its growth strategy and present these to the Board of Directors.

IN 2015, THE COMMITTEE REVIEWED AND PRESENTED TO THE BOARD OF DIRECTORS RECOMMENDATIONS ON THE FOLLOWING KEY MATTERS:

- Consolidated budget for 2016
- Investment programme for 2016
- Market situation and sales programme for 2016
- TMK Group's target organisational structure for 2016
- Adjustments to the business plan for 2015–2020
- Dividend payout recommendations based on the Company's dividend policy.



7.6. ASSESSMENT OF THE BOARD'S PERFORMANCE

At the meeting held in late December 2015, the Nomination and Remuneration Committee took note of the results of the Board of Directors' performance assessment carried out by an external auditor in 2015. According to the auditor's opinion, the current Board of Directors is well balanced in terms of knowledge, skills, expertise and independence.

The Company has all the key elements of efficient corporate governance in place and functioning in concert: the Board with a considerable number of independent directors, proactive Board Committees, efficient internal audit function, independent external audit, and disclosure procedures. The performance of the Board on the whole and the Board's Chairman personally has been deemed satisfactory.

The Board of Directors performance has been regularly assessed since 2006. The composition of the Board and its procedures meet the requirements of the latest corporate practices, which helps its members to make constructive and balanced decisions in a timely manner.

Based on the available information, the independent directors were found to meet the set independence criteria. Their performance on the Board of Directors and its Committees was recognised as effective.

In the reporting period, non-executive directors were generally provided with adequate payments within the remuneration and cost compensation framework.

The matters reviewed by the Board's Committees during the reporting period were aligned with TMK's development priorities and fell within the Committees' scopes of competence.

The Corporate Secretary's performance was in line with existing good corporate practice and can be deemed satisfactory.

Communications of the Board of Directors and its Committees with the Management Board and other top managers were found to be effective. Prompt information sharing enabled the management to make constructive decisions in a timely manner and efficiently oversee their implementation.



7.7. EXECUTIVE MANAGEMENT

TMK's day-to-day operations are managed by the CEO and the Management Board. The CEO also acts as the Chairman of the Management Board.

COMPOSITION OF THE MANAGEMENT BOARD

There were no changes in the Management Board in 2015. As of 31 December 2015, the Management Board consisted of eight members:

Alexander
SHIRYAEV

CEO OF PAO TMK, CHAIRMAN
OF THE MANAGEMENT BOARD.

See the Board of Directors section for biography details.

Sergey
BILAN

PRINCIPAL PLACE OF EMPLOYMENT:
PAO TMK DEPUTY CEO FOR OILFIELD SERVICES.

Born in 1962. Graduated from the Rostov Institute of Railway Transport Engineers in 1984 and from the Budget and Treasury Academy of the Russian Finance Ministry in 2004. Has been conferred an Honorary Metallurgist title and awarded a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation.

RELEVANT EXPERIENCE:

Deputy CEO of TMK Trade House for Oilfield Services, CEO of TMK NGS and member of the Board of Directors of Orsky Machine Building Plant. Formerly, TMK Deputy CEO for Marketing, Deputy CEO of TMK and TMK Trade House for Premium Products and Services.

Holds 0.0043% in the authorised capital of TMK.

Andrey





KAPLUNOV

FIRST DEPUTY CEO OF PAO TMK.

See the Board of Directors section for biography details.



Alexander KLACHKOV

PRINCIPAL PLACE OF EMPLOYMENT: DEPUTY CEO AND CHIEF ENGINEER OF PAO TMK.

Has been with TMK since 2002. Born in 1957. Graduated from the Moscow Institute of Steel and Alloys in 1979. PhD in Technical Sciences. Mr Klachkov is a Russian Government prize winner in Science and Technology, also awarded with a Certificate of Merit from the Ministry of Industry and Energy of the Russian Federation and conferred an Honorary Metallurgist title.

RELEVANT EXPERIENCE:

Member of the Board of Directors of the Institute for the Tube and Pipe Industries (RosNITI) and Seversky Tube Works. Formerly, Head of the Technological Development Directorate at TMK, had held management positions at Oskol Electrometallurgical Plant.

Holds 0.0028% in the authorised capital of TMK.



Alexander
LYALKOV

PRINCIPAL PLACE OF EMPLOYMENT:
FIRST DEPUTY CEO OF PAO TMK.

Has been with TMK since 2003. Born in 1961. Graduated from the Volgograd Polytechnic Institute in 1989. Mr Lyalkov is a Russian Government prize winner in Science and Technology, also awarded with a medal for the construction of the Baikal – Amur Mainline and an Honour and Benefit medal of the International Welfare Fund; he was conferred an Honorary Metallurgist title and the Russian Quality Leader title of the Russian Organisation for Quality.

RELEVANT EXPERIENCE:

member of the Board of Directors of Tagmet, Sinarsky Pipe Plant and Volzhsky Pipe Plant. Formerly, Deputy CEO for Operations at TMK and TMK Trade House, Deputy CEO for Operations, Technology and Quality at TMK, Managing Director at the Volzhsky Pipe Plant, where he had held various positions since 1980.

Holds 0.0035% in the authorised capital of TMK.



Vladimir
OBORSKY

PRINCIPAL PLACE OF EMPLOYMENT:
**CEO OF TMK TRADE HOUSE. EXECUTIVE DIRECTOR
AND FIRST DEPUTY CEO AT PAO TMK.**

Has been with TMK since incorporation. Born in 1961. Graduated from Mikhail Frunze Higher Combined-Arms Command Academy in Kiev in 1982 and the Mikhail Frunze Military Academy in 1994. Obtained an MBA from the International University in Moscow in 2009. PhD in Economics. Was awarded a Medal for Battle Merit, an Order of Military Merit and a Certificate of Merit from the Ministry of Industry and Energy of the Russian Federation.

RELEVANT EXPERIENCE:

Member of the Board of Directors at TMK Trade House and TMK-CPW. Formerly, First Deputy CEO and Executive Director at TMK Trade House, Head of the Transneft and Gas Producers Customer Service Department at TMK Trade House, Head of the Strategic Customer Service Directorate and the Gas Producers Customer Service Directorate at Volzhsky Trade House.

Holds 0.0007% in the authorised capital of TMK.



Tigran
PETROSYAN

PRINCIPAL PLACE OF EMPLOYMENT:
CHIEF FINANCIAL OFFICER AT PAO TMK.

Has been with TMK since 2001. Born in 1968. Graduated from Yerevan State University in 1993. Has been conferred a Certificate of Merit from the Ministry of Industry, Science and Technologies of the Russian Federation.

RELEVANT EXPERIENCE:
Board member at TMK Trade House, Orsky Machine Building Plant and TMK's Russian pipe plants. Formerly,

Deputy CEO for Economics at TMK and TMK Trade House, Head of the Economic and Planning Directorate at TMK, Head of the Economic and Planning Department of Volzhsky Pipe Plant, Deputy CEO at Volzhsky Audit, officer at the Armenian Ministry of Economy.

Holds 0.02% in the authorised capital of TMK.



Vladimir
SHMATOVICH

PRINCIPAL PLACE OF EMPLOYMENT:
**DEPUTY CEO FOR STRATEGY AND BUSINESS
DEVELOPMENT AT PAO TMK.**

Has been with TMK since 2005. Born in 1964. Graduated from the Moscow Finance Institute in 1989 and the University of Notre Dame USA (MBA) in 1993. Has been conferred a Certificate of Merit from the Ministry of Industry and Trade of the Russian Federation and awarded with a Tsiolkovsky Gold Medal. Has been conferred Udmurtneft's Honorary Oil Worker title and an Honorary TMK Employee title.

RELEVANT EXPERIENCE:
Board member of Lhoist – TMK B.V. and OFS Development SARL, Chairman of the Board of Directors of TMK GIPI, Class A Manager at Completions Development S.a r.l., Director at TMK Completions Ltd. Formerly, Board member at SKB-bank, CFO of TMK, Deputy CEO, CFO at various companies (Udmurtneft, Sidanco, RusPromAvto), CEO of Interros.

Holds no shares in TMK.

As of 31 December 2015, the members of the Management Board held no interests in companies under control and did not enter into PAO TMK shares acquisition/disposal transactions. Changes in the shareholdings of the members of the Management Board in the authorised capital of PAO TMK were due to the issuance of additional shares.

EXECUTIVE MANAGEMENT REMUNERATION

The remuneration paid to the CEO and the members of the Management Board consists of:

- Fixed salaries determined in accordance with their employment contracts and payable on a monthly basis

- Variable part (bonuses), based on individually established KPIs and approved by the Board of Directors each year. This bonus is paid to the CEO and the members of the Management Board if they deliver their KPIs, and subject to the approval of their performance reports by the Board of Directors.

In 2015, the aggregate remuneration of the CEO and members of the Management Board amounted to USD 4.55 m, including USD 3.25 m in salaries and USD 1.30 m in bonuses.



7.8. INFORMATION POLICY AND DISCLOSURE

As an issuer of securities, PAO TMK is required to disclose information under Russian law, security market regulations and listing rules of the stock exchanges where the Company's securities are traded. Information is disclosed in Russian and English at:
<http://www.e-disclosure.ru/portal/company.aspx?id=274>
www.tmk-group.ru
www.tmk-group.com
<http://www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/US87260R2013USUSDIOBE.html>

TMK also publishes quarterly IFRS consolidated financial statements (<http://ir.tmk-group.com/results-center/financial-results/>) and press releases describing its financial, operating and market performance and offering market reviews and forward-looking statements on its corporate website, and organises conference calls with the Company's senior executives for investors and analysts.

In line with the international best practices, we hold Capital Markets Days where the Company's top managers present TMK's results and outlook, with webcasts available on the corporate website. The site's section for investors features an IR calendar, presentations, reports, financial news and FAQ.

Disclosure and interaction between the Company's divisions and entities in the process of preparing relevant information for disclosure are governed by the Regulations on the Information Policy (http://www.tmk-group.ru/media_ru/files/51/inf_pol0612.pdf) and other internal regulations drafted on its basis. The Company has dedicated units to monitor the development and implementation of a uniform information policy and control the compliance with insider laws and regulations.



7.9.

RISK MANAGEMENT AND INTERNAL CONTROL

TMK'S RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK is a set of procedures exercised by the Board of Directors, executive and supervisory bodies, officers and employees to ensure a true and fair view of its state of affairs and prospects, risk exposure, reliability of all types of reporting, and compliance with laws and internal regulations.

THE BOARD OF DIRECTORS

has determined the principles of and approaches to building a risk management and internal control system, which are incorporated into TMK's approved corporate policies and internal documents which comprise a framework for all risk management and control components (<https://www.tmk-group.ru/Documents>).

THE AUDIT COMMITTEE

monitors the reliability and effectiveness of the risk management and internal control system, safeguards the independence and objectivity of internal audits of the Company, carries out performance assessment of the internal audit function, and monitors the effectiveness of the management information system used to report irregularities in the Company (including misconduct of employees and third parties). The Audit Committee and the Board of Directors have given a positive assessment of the performance of TMK's risk management and internal control system, and internal audit function in the reporting year.

The Company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads of TMK's units accountable to them.

The Company also has the Risk Management Committee which reports to the CEO and is tasked with mitigating risks by drafting and implementing a uniform risk management policy and risk identification, assessment and management methodology. Its Chairman regularly reports to the Board's Audit Committee on risk occurrence.

The overall coordination of risk management processes and cooperation between the Company's units is ensured by a dedicated unit which consolidates risk data across TMK, reviews identification of key risks, and prepares risk management reports for the Risk Management Committee. These tasks are fully in line with the Russian Corporate Governance Code.

Executive managers of TMK identify, assess and manage business process risks, and focus on risk mitigation and control procedures at every management level.

TMK's Board of Directors and executive management strive to incorporate internal control elements into every stage of the Company's management processes, while maintaining impartiality and transparency of management

methods and procedures across all of TMK's business areas, as required by the Internal Control Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In line with the COSO model, TMK fosters a control environment, maintains a risk assessment system, and implements control procedures.

KEY ELEMENTS OF TMK'S RISK-FOCUSED INTERNAL CONTROL FRAMEWORK

INTEGRATED CONTROL ENVIRONMENT:

- Clear uniform guidelines on the division of responsibilities
- Focus of controls on key, real risks
- Reduced number of duplicate/other controls

FULL USE OF SAP FUNCTIONS:

- Automated controls (minimisation of manual controls)
- Access controls
- Customised controls
- Continuous improvement of controls
- Database analysis
- SAP-based reporting

HIGH-QUALITY IMPLEMENTATION OF CONTROLS:

- Prompt improvement of controls
- Identification of areas for ongoing monitoring
- Timely correction of deficiencies and failures of controls

INTERNAL AUDIT FOCUS ON KEY CONTROLS:

- Focus on key business processes and risk-oriented controls
- Supervision of remedial measures and initiatives to improve controls

The Board of Directors has approved the Regulations on Internal Control in TMK (https://www.tmk-group.ru/media_ru/files/51/tmk_pol_vnutr_kontr.pdf). The Company has built a system that ensures the use of controls at every management level based on the principles of centralisation, delegation and division of responsibilities. The CEO sets goals for the Company's senior executives and oversees their activities aimed at maintaining proper

internal controls across the units they supervise. TMK's senior executives delegate responsibilities to implement specific control policies and procedures to the heads of business units whose responsibilities include, inter alia, assessing control processes within the scope of their competence.

RISK CONTROL SYSTEM IN TMK GROUP (THREE LINES OF DEFENCE)

LINE 1

Operations management in TMK Group's entities (assets of the Company)

- Day-to-day functioning of internal control processes and systems
- Initial risk identification and assessment
- Risk management / day-to-day implementation of controls aimed at risk coverage and mitigation
- Establishment and implementation of procedures based on the policies, regulations and standards

LINE 2

Management of the Corporate Centre and TMK divisions (control functions)

- Expert risk opinion and independent risk assessment
- Participation in / oversight of the development of risk controls, policies, regulations and procedures
- Audit of operational efficiency of implemented controls
- Business process risk management
- Reporting on the compliance with policies, regulations and standards

LINE 3

Internal audit

- Independent audit of the internal control system and risk appetite
- Performance assessment of control procedures and recommendations on their improvement
- Monitoring the implementation of policies, regulations and standards

The Company has a clearly structured and independent compliance framework which ensures compliance with legal and ethical standards. It integrates preventive measures and sanctions for violations and is based on vertical and horizontal interactions. This process is coordinated by the CEO's Committee on Regulating Compliance Risks and its regional subcommittees at TMK's divisions, and governed by the Company's Key Compliance Risk Principles and Anti-Corruption Policy (https://www.tmk-group.ru/media_ru/files/51/anticor_ru.pdf). TMK relies on the triple pillars of prevention, identification and response to ensure the successful implementation of its compliance framework.

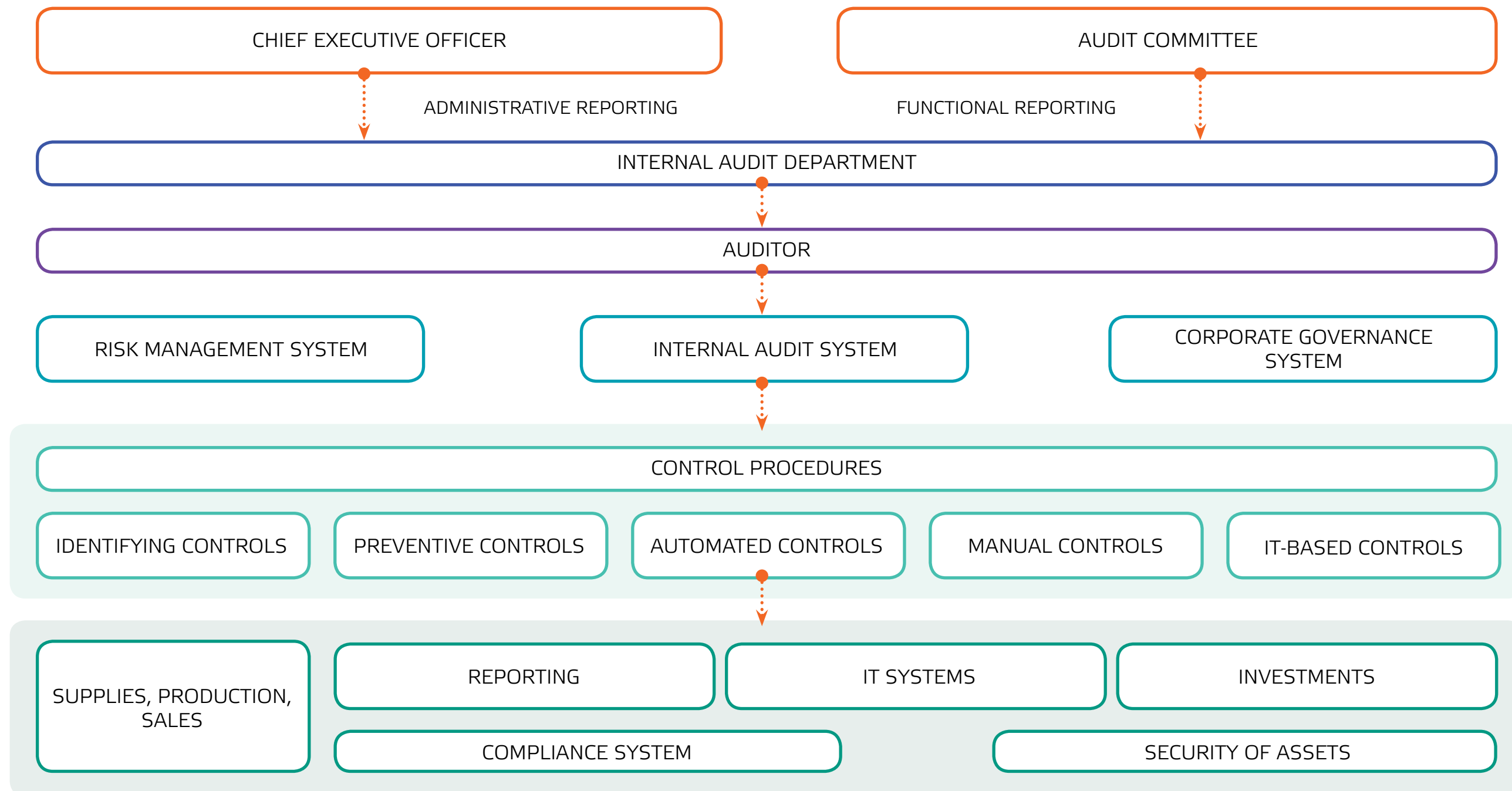
TMK operates a hotline as a public control instrument, using a full range of communication channels for the Company's employees, investors, clients and other stakeholders to report any known abuses or violations.

TMK is a party to the Anti-Corruption Charter of Russian Business, developed by the Russian Union of Industrialists and Entrepreneurs. Since 2010, TMK has been a corporate member of the International Compliance Association (ICA) and is nominated for the Compliance Award 2015.

The reliability and effectiveness of internal control, risk management and corporate governance systems in TMK are assessed by the internal audit function. In order to improve the internal audit function and fully align it with the Russian Corporate Governance Code, in 2015, the Board of Directors approved the Internal Audit Policy of TMK Group (https://www.tmk-group.ru/media_ru/files/51/polit_vnutr_aud2015.pdf) and a revised version of the Regulations on the Internal Audit Department of PAO TMK (https://www.tmk-group.ru/media_ru/files/51/pol_sl_vnutr_audit2015.pdf).



TMK'S INTERNAL AUDIT



The Internal Audit Department (IAD) is an independent structural unit reporting directly to the CEO (administratively) and to the Board of Directors via the Audit Committee (functionally), which insures its independence and objectivity. It has regional units across TMK's geographical regions (in TMK divisions), which use a single planning and reporting system. The IAD's regional units ensure a prompt response to any changes in business processes and operations at TMK entities. The Department develops an annual risk-focused audit plan based on priority business processes subject to audit, and on risk ranking and assessment (by probability and potential impact). The annual plan is considered and discussed at the Audit Committee's meetings and approved by the Board of Directors and TMK's CEO.

The IAD also oversees compliance by the Company's governance bodies, officers and employees with insider dealing laws and regulations, and regularly reports to the Audit Committee as well as to the Board at the year-end.

TMK's management promptly responds to gaps in controls identified by internal audit, introducing the required changes to the risk management and internal control framework, which helps enhance the corporate governance processes and quality.

INTERNAL CONTROL OVER FINANCIAL REPORTING

TMK's management is responsible for implementing and maintaining adequate internal control over financial reporting to provide reasonable assurance as regards the reliability of financial statements and their conformity with the RAS and IFRS.

TMK has an internal control framework which reasonably assures the effectiveness of all controls, including financial and operational controls, as well as compliance with laws and regulations.

THE REVISION COMMITTEE

controls the Company's financial and economic activities on behalf of shareholders and reports to the General Meeting of Shareholders on the reliability of the reporting data and deficiencies or violations identified.

THE EXTERNAL AUDITOR

verifies and confirms that the Company's financial statements are in line with the applicable accounting rules and national and international financial reporting standards (RAS and IRFS), and expresses its opinion on the reliability of the financial statements following their audit.



THE AUDIT COMMITTEE

reviews completeness, accuracy and reliability of consolidated and separate accounting (financial) statements of the Company, assesses the Company's external auditors for independence, objectivity and absence of a conflict, oversees external audit and its quality, and reviews the external auditor's opinion.

In selecting an external auditor to audit the Group's IFRS consolidated financial statements and assessing its performance, we adhere to the Policy on Selection of TMK Group's External Auditor, as approved by the Board of Directors (http://www.tmk-group.ru/media_ru/files/51/tmk_pol_vyb_aud14.pdf).

The following procedures are in place to ensure the auditor's independence and impartiality:

- The Company holds a tender to select an auditor under the terms and conditions approved by the Board of Directors based on the Audit Committee's recommendations. The Committee organises the tender and announces its results
- It also may request an early tender following the assessment of the auditor's performance quality and its compliance with the independence requirement
- The auditor is selected from among internationally recognised independent audit firms and approved by the Board of Directors.

To mitigate the risk of long-term relationship compromising the external auditor's independence and impartiality, members of audit teams and the lead partner responsible for the audit are subject to rotation.

PAO TMK appointed Ernst & Young, a member of the Audit Chamber of Russia's self-regulated non-profit partnership, as the external independent auditor of its FY2015 and interim consolidated and separate financial statements.

In 2015, the auditor's remuneration for auditing the annual financial statements and reviewing interim financials (including audit of separate financials at some TMK's entities) was USD 2.08 m and USD 0.24 m for non-audit services.



42 thousand people
employed by TMK around
the world

We are committed to meeting our social obligations, making consistent efforts to motivate employees towards achieving professional growth and making sure that our wages and salaries remain competitive in the regions where TMK's facilities operate.



8.1.

HUMAN RESOURCES AND SOCIAL POLICY

TMK's HR policy sets out priority areas for the development of the Company's human capital we need to focus on to achieve our strategic business goals.

In a volatile economic environment, we have placed priority on retaining highly skilled staff, streamlining our governance system and standardising the organisational structure at TMK's entities. We also believe it important to keep our staff up to date with current developments, our achievements and future plans. We achieve our targets through shared understanding of goals and objectives, strong performance of the Company's management, and building a dialogue with our social partners.

We seek to consistently enhance our staff's performance by continuously raising their qualification and professional level while eliminating inefficient functions, reducing non-production losses and reducing the number of management layers.

KEY PRIORITIES OF TMK'S HR STRATEGY IN 2015:

CORPORATE DEVELOPMENT AND HEADCOUNT MANAGEMENT

In 2015, we placed a particular emphasis on minimising the negative impact of economic shocks on our performance through cost optimisation and improvements to our corporate governance system. To this end, we:

- Implemented a significant part of the project to standardise organisational structures at the Company's entities, while enhancing the management role of the Corporate Centre, where a considerable portion of such functions as internal audit, economic security and IT have been co-located
- Streamlined key business processes, primarily, product quality control, supply and procurement, and logistics
- Set function-specific internal benchmarks to organise business processes and streamline our headcount. By adopting best management practices at the Company's entities we optimised our staff costs and reduced the number of management levels within the Company.

As a result of our efforts, we successfully reduced the average total headcount, even as the number of TMK's entities grew.



TMK'S AVERAGE HEADCOUNT

	2013	2014	2015
Average total headcount	44,025	43,373	41,943
Change in total headcount from 2013, %: including:	100	-1.5	-4.3
Russian division	100	-1.6	-3.2
European division	100	+1.5	+1.8
American division	100	-2	-30
Middle East division	100	+16	+12.4

EMPLOYEE DEVELOPMENT AND TRAINING

We make consistent efforts to motivate employees towards achieving professional growth and to foster an environment supportive of such growth.

In 2015, TMK invested about USD 1.5 m in corporate training and career enhancement programmes, which enabled us to continue the implementation of a number of initiatives, including

- Company-wide training programmes such as Efficient Manager, Internal Corporate Coach, and Lean manufacturing
- Partnerships with local authorities in running educational programmes in the communities where we operate. The construction of training grounds at colleges in Polevskoy (the Seversky Tube Works) and Kamensk-Uralsky (the Sinarsky Pipe Plant) are good examples of such efforts
- Participation in the government-sponsored programme of the Russian Federation for the development of Professional Standards. For instance, in 2015, we developed standards for such key pipe production professions as: pipe and billet cutting, hot rolling; cold rolling, and electric-welded pipe production
- Over 200 internships for our employees to share best manufacturing practices across TMK's facilities

- The eleventh TMK Youth Scientific and Technical Conference held by the Company in Sochi and attended, along with young specialists employed by TMK's Russian, European and American divisions as well as by representatives of the Middle East division of TMK, for the first time in its history.
- The roll-out of the Management of Leaders programme at TMK IPSCO's facilities to recruit and train potential candidates to fill management positions in the Company
- Implementation of the TMK IPSCO Way development programme for key employees. Over 500 managers and employees of TMK IPSCO enrolled in this programme.

We seek to recruit young talent trained to advanced educational standards, and to this end we get involved in their professional training through collaboration with educational institutions in the countries and regions where we operate.

- In Russia, they include the Yeltsin Ural Federal University (UrFU) and the National University of Science and Technology (MISiS). In 2015, TMK signed a Cooperation Agreement with the Endowment Fund of MISiS to engage in co-financing of research programmes run by the Department of Pressure Metal Treatment.





The students of the MISiS University — participants of TMK's scholarship program

- In the United States, the American division's facilities closely cooperate with Colorado School of Mines, University of Oklahoma, University of Pittsburgh, University of Iowa, Missouri S&T, and Texas Tech, including arrangements for internships at TMK IPSCO's plants.
- In the Middle East, TMK GIPI (Oman) organised selection and training of local engineering students in UrFU (Russia), with a view to subsequently offer them employment at TMK GIPI.

EMPLOYEE COMPENSATION AND INCENTIVES

In 2015, we focused on building a staff motivation system that would be adaptive to changes in operational and strategic objectives.

We drafted our Concept of Unified Remuneration System for the Russian division's facilities, providing for standardisation of all types of financial compensation for employees and linking remuneration to performance against individual KPIs by the relevant employee. This will help to enhance the motivational role of wages and salaries and automate pay calculation. The project is scheduled for implementation in 2016–2017.

The Company reviews the base remuneration rates for its staff on an annual basis, taking into account the macro-economic situation, regional trends in the labour market and staff performance. Using this approach, we were

able to raise the pay levels of the Company's employees (in the respective local currencies of the countries they are based in) while keeping our overall payroll figures relatively flat. In a challenging market environment, the Company makes sure that its wages and salaries remain competitive in the regions where TMK's facilities operate, while meeting its social obligations, making cost-of-living adjustments to salaries provided for in agreements with industry trade unions, and complying with national laws.

Nevertheless, due to currency swings, the average pay at TMK's facilities has been trending downward over the last two years if translated into US dollars.

SOCIAL PARTNERSHIP

In 2015, our stability and success relied, among other things, on the social partnership maintained with trade unions of TMK's entities, and with national industry associations of trade unions.

AVERAGE PAY AT TMK (2013–2015), %

	2013	2014	2015
Average pay (in USD) as % of the previous year level	109	95	72



Entities across divisions strictly follow the principles of social partnership, balancing the interests of all stakeholders:

RUSSIAN DIVISION

- In 2015, TMK, as a member of the Russian Metallurgists Association, was actively involved in negotiations with the Russian Mining and Metallurgical Trade Union on a supplementary Agreement that would extend the current Branch Tariff Agreement to 2016. This will allow us to bring budget indicators of TMK's Russian entities in line with the rates set out in the 2016 Branch Tariff Agreement.
- We are actively engaged, through Non-Profit Partnership Russian Steel, in building a consolidated industry position on production, technologies, investments and further representation of professional interests of Partnership Members before government and other institutions and organisations.

AMERICAN DIVISION

- TMK IPSCO and the US United Steelworkers Union maintain successful relationship under the Collective Bargaining Agreement the Ambridge and Koppel plants.

EUROPEAN DIVISION

- The negotiations on the terms of the Agreement with Romanian trade unions served as the basis for Collective Bargaining Agreements at TMK-ARTROM and TMK-RESITA.

MIDDLE EAST DIVISION

- The motto of TMK GIPI, "We Add Value in Everything We Do", reflects the company's approach to all areas of its activity – both in business and social initiatives. TMK GIPI is actively involved in infrastructure projects and provides financial support to initiatives of the Municipality of Sohar (Oman).

more than **2** thousand employees
and their family members went
to the Burgas resort in 2015

92

employees
of TMK were recommended
for national and industry
awards

282

employees
were awarded corporate merit
badges and certificates

14

people
were awarded Merit Badges
and Certificates For Business
Cooperation with TMK

In 2015, we continued financing all our programmes aimed at improving health and expanding the range of recreation opportunities for our staff, in particular:

- 2,550 employees and their family members went to the Burgas resort in Sochi and the Hotel-Sanatorium Westend in Marianske Lazne (Czech Republic)
- We continued the implementation of the Corporate Pension Programme in conjunction with the Bolshoy Pensionny Fond non-government pension fund, which receives the "accumulative portion", or funded component, of retirement benefits payable to employees of the Company's Russian division.

We attach particular importance to non-financial motivation and recognition of our best employees and business partners: 92 employees of TMK were recommended for national and industry awards, 282 employees were awarded corporate badges and certificates, while 14 people were awarded Badges and Certificates *For Business Cooperation with TMK*.

Successful implementation of the Company's social policy ensures social stability in our teams and in the regions where we operate.



8.2. OCCUPATIONAL SAFETY

USD 6.5

m was invested in the implementation of occupational and industrial safety measures in 2015

To enhance its health and safety performance the Company adopted the Occupational Safety Policy, which is focused on the following objectives:

- Support and continuously improve the occupational health and safety (OH&S) management system and the industrial safety management system
- Ensure compliance with statutory, international and other regulatory requirements applicable to the Company's operations
- Foster a safety culture where every employee of the Company understands and assumes responsibility for their own safety and the safety of people around them
- Design and implement preventive measures to minimise risks to health and improve workplace conditions
- Develop and put in place a set of technical and technological measures to support accident-free and safe operation of equipment
- Consistently raise the qualification level of the personnel and their safety competences
- Increase responsibility of managers of all levels for performance on occupational health and industrial safety.

The Company's facilities are audited on an annual basis for conformity to OHSAS 18001. In 2015, all entities confirmed their compliance with this international standard.

As part of preparations for the international Steel Safety Day 2016, held under the auspices of the World Steel Association, we launched a campaign to identify, remove or reduce safety risks at workplaces to an acceptable level. Entities of the Russian division completed (in all substantial aspects) their adoption of an occupational

safety system providing for a Special Health and Safety Assessment (SHSA). As a result, we were able to assess the actual workplace conditions of our employees and take measures to improve them where necessary.

In 2015, we spent c. USD 6.5 m on the implementation of occupational and industrial safety measures, including to ensure compliance with statutory requirements, purchase personal protective equipment, special clothes and footwear, and run a disease prevention programme.

As a result of all these efforts, in the reporting year, the Company's entities reduced their overall injury rates, reported zero cases of group accidents and emergencies, while the level of occupational diseases remained consistently low.

In 2015, a number of TMK's entities received awards for their achievements in occupational safety:

- The Seversky Tube Works won the industrial standards and occupational health contest held among entities based in the Sverdlovsk Region
- TAGMET ranked second in the national Success and Safety competition held in the Rostov Region
- Koppel (TMK IPSCO, US) received an award for safety achievements from the Steel Manufacturing Association.

8.3. ENVIRONMENTAL MANAGEMENT

USD 1.9

m
TMK invested in a set of measures designed to ensure legal compliance and environmental protection

USD 3

m
total atmospheric emissions control expenses

Under TMK's Environmental Policy aimed at maintaining environmental safety of the rapidly growing production, our efforts during the year were traditionally focused on improving the environmental efficiency of production processes and reducing water consumption.

In its operations, TMK follows international environmental protection initiatives and treaties and complies with national environmental standards and regulations. We continue focusing on systemic environmental activities. Eleven plants of the Company have been ISO 14001:2004 certified (Environmental Management System standard). International auditors once again confirmed continuous improvement of environmental management in the reporting period.

ENVIRONMENTAL INVESTMENTS: TRANSITION TO THE BEST AVAILABLE TECHNOLOGIES

Environmental issues are an essential component of all strategic documents of the Company. In 2015, we invested USD 1.9 m in a set of measures designed to ensure legal compliance and environmental protection, including to reduce the amount of pollutant emissions and sewage; enhance production waste management efficiency and minimise the noise level.

KEY ACTIVITIES AND RESULTS:

- The Seversky Tube Works started the operation of an advanced gas cleaning system and a treatment facility for the continuous rolling mill

- The Volzhsky Pipe Plant upgraded its antioxidant removal facility at the seamless pipe line of the third rolling mill, with the treatment efficiency increased to 98%
- The casting shop of the Volzhsky Pipe Plant reduced waste disposal by 20% through replacement of grinding tools with a shot blaster and
- Ambridge upgraded its waste water treatment facilities.

EMISSIONS CONTROL

We use advanced technologies ensuring a high-degree treatment of industrial emissions to reduce negative impact on the atmosphere. Measures in this area are taken on an annual basis, including routine maintenance and overhaul of treatment facilities to improve the efficiency of gas cleaning, which helps the Company meet the approved standards. The total atmospheric emissions control expenses were USD 3 m. By deploying the best available technologies and equipping emission sources with advanced treatment facilities, the Company has been steadily reducing its emissions. In 2015, gross emissions were cut by 5%.

As part of its efforts to ensure compliance with the health legislation, the Volzhsky Pipe Plant introduced a narrower sanitary protection, or buffer, zone, while other Russian facilities of the Company are working towards the same goal.





95%

the share of recycling water supply in total consumption for process purposes

CLIMATE RESPONSIBILITY

TMK builds its growth strategy taking into account its hydrocarbon footprint, with hydrocarbon aspects incorporated into the risk management system and business processes.

Our Romanian assets meet the requirements of the national legislation governing hydrocarbons.

The Company's Russian facilities are successfully testing the methodology of the Russian Ministry of Natural Resources and Environment for calculating greenhouse gas emissions. The experience of our Russian assets, which have monitored their GHG emissions since 1990, has greatly facilitated this process. In 2010, the Russian Government issued a letter of approval to *Renovation of the Steelmaking Facilities of the Seversky Tube Works* Joint Implementation project, with 1,559,511 tonnes of ERU already sold.

KEY ACTIVITIES AND RESULTS:

- The Volzhsky Pipe Plant replaced 8,640 bag filters to ensure a smooth gas cleaning process in the steelmaking facilities
- The Seversky Tube Works installed noise-absorbing devices in the pipe welding shop, with the noise level reduced by 10 dB

- TAGMET assembled dust control and gas cleaning units at the ferro-alloy and lumps preparation facility
- Six units of the Orsky Machine Building Plant completed the overhaul of their dust control equipment.

WATER MANAGEMENT

Under TMK's Environmental Policy, the Company's water management strategy focuses on reducing water consumption and mitigating negative impact on water bodies. TMK's plants are implementing an integrated approach to water resource management, which, over time, results in optimised consumption, distribution and sustainable use of water and reduced sewage. A recycling water supply system is essential for any of TMK's new, upgraded or reconstructed facilities.

IN 2015, CONSISTENT WATER MANAGEMENT ACTIVITIES ENABLED TMK TO REDUCE (YEAR-ON-YEAR):

- Water intake from surface water bodies by 6%
- Industrial water consumption by 7%
- Waste water by 5%
- Concentration of pollutants in industrial effluents discharged to water bodies by 3%
- While the share of recycling water supply in total consumption by our entities for process purposes amounted to 95%.

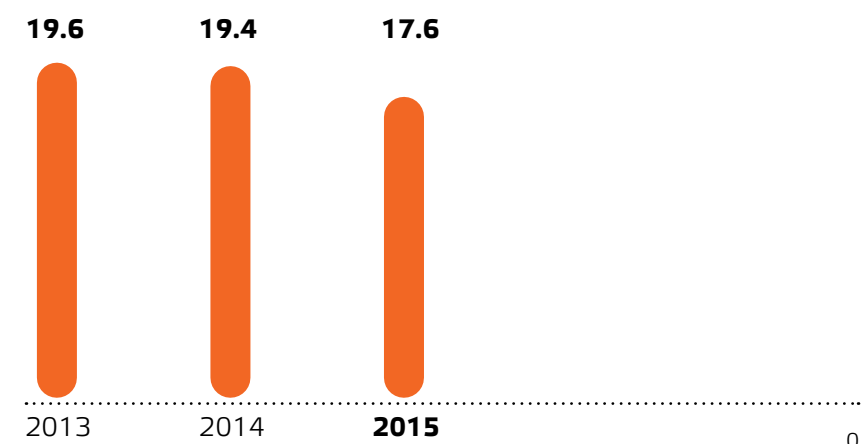
by **7%**

industrial water
consumption reduced
in 2015

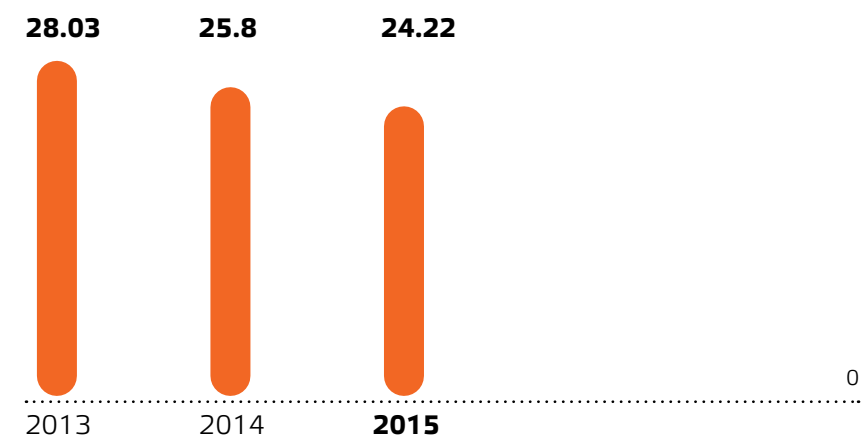
KEY ACTIVITIES AND RESULTS:

- The Volzhsky Pipe Plant cleaned waste water pit SR-9 at the third tube rolling shop and reduced the level of oil sediment in the conditionally clean water discharge
- The Seversky Pipe Plant continued its renovation of the Mayak drinking water supply station and is building treatment facilities for graphite-containing effluents
- The Sinarsky Pipe Plant completed its upgrade of the Isetsky water intake to reduce fresh process water consumption by 80 thousand cu m. and cleaned waste water pits at the industrial waste pumping station and the cast-in-place catch basin.
- TAGMET
 - Completed the installation of additional cooling towers at the water processing facility of the ladle furnace and the continuous-casting machine (CCM)
 - To prevent destruction of fry, the company repaired and cleaned fish-protection devices at the suction pipelines of Level 1 pumping plant
 - The company also cleaned the adjacent water protection areas of the Azov Sea coast from pollutants
- Koppel (TMK IPSCO, US) completed its construction of waste water treatment facilities, including: a reservoir for conditionally clean hot and cold water and primary intrashop waste water pits.

WATER DISCHARGE TO SURFACE WATER BODIES, TMK, thousand cu m



WATER INTAKE FROM SURFACE WATER BODIES AT TMK, mcm



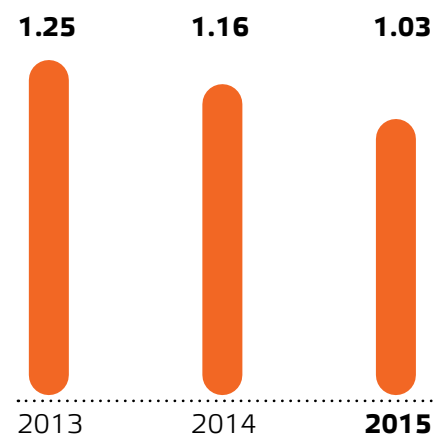
by **11%**

total waste
reduced

58%

of the total waste was used
in the Company's operations

TOTAL AMOUNT OF GENERATED WASTE, TMK,
million tonnes



WASTE MANAGEMENT

In line with its environmental policy, TMK implements initiatives to reduce waste and its disposal, expand waste recycling and reclaim lands.

A total of USD 5.7 m was spent in 2015 to minimise the impact of waste on the environment. TMK's land protection expenses, including land reclamation, amounted to USD 1.1 m.

KEY RESULTS OF TMK'S CONSISTENT ENVIRONMENTAL ACTIVITIES IN 2015:

- Total waste reduced by 11%
- 7% of the total waste was disposed of at the designated facilities, which clearly demonstrates high efficiency of our waste management
- 80 types of waste were recycled to be further used in the Company's operations
- 58% of the total waste was used in the Company's operations
- Over 400 thousand tonnes of waste was sold to third parties for re-use.

In 2013–2015, TMK's facilities recycled more than 1.4 million tonnes of accumulated waste.

KEY ACTIVITIES AND RESULTS IN 2015:

- The Volzhsky Pipe Plant closed its waste landfill for waste with hazard ratings of 3, 4, and 5. The project involved 100%-green innovative solutions. The reclaimed lands were returned to the town of Volzhsky for further commercial use
- TMK-CHERMET raised and reinforced with hard-surface materials the floor level at three of its production sites to reduce adverse impact on the soil
- TMK GIPI built a special site to store semi-liquid emulsion waste.

8.4. SPONSORSHIP AND CHARITY



TMK implements housing programs in the regions of the company's business presence (cottage settlement «Sinara», Kamensk-Uralsky)

Through sponsorship and charity, TMK seeks to foster a favourable social climate and create an environment for sustainable development of the regions hosting our plants.

TMK implements its charity projects in the Urals region via the Sinara Charity Foundation, a professional operator. The Foundation's projects seek to support social initiatives by non-profit and public organisations in health, education, culture, sports, and social security. Key formats of charitable activities: targeted aid; personal endowments; grant contests; corporate citizenship.

In 2015, the Sinara Charity Foundation used TMK's funds to hold the 12 Civil Initiatives of the Urals Federal District Open Competition of Social Programmes designed to address social issues and enhance social stability.

The Foundation focuses on promoting grant extensions as an important tool for improving the social climate in Russia. In 2015, 104 non-profit organisations benefited from the Company's financial support, with 21 of them winning various grant competitions.

TMK ALSO SUPPORTS PERSONAL ENDOWMENT PROJECTS OF THE FOUNDATION, INCLUDING:

- Tochka Opory (Foothold), a programme for support to educational institutions aimed at promoting employment opportunities at industrial facilities among young people and raising the level of training for blue-collar positions. In 2015, over 500 events (tours, "live lessons", TV programmes dedicated to basic trades) were held, attended by 1.5 thousand students from 36 schools of the Sverdlovsk Region
- Rostochek (Little Sprout), a programme for support to pre-school institutions: in 2015, we supplied healthcare equipment to 29 pre-school institutions of the Sverdlovsk Region
- Together with the Sverdlovsk State Philharmony, we are implementing a social and cultural project, Great Music for Little Hearts. The Classics and Children: Live Communication programme was developed as part of the project and provides for 32 concerts to be held in orphanages
- Demidov International Contest for Young Violinists DeMUKS, a qualification round for the International Tchaikovsky Competition. Over 120 young musicians took part in the contest in 2015.



for **20** years,

TAGMET has run an annual campaign, *Marathon of Kindness*, with the proceeds directed to those families of metallurgists who have disabled children

The Company continues promoting its *Corporate Citizenship* project which involves employees of TMK's entities in projects to provide free donor aid to children with serious blood diseases and raise funds for parentless children.

All Russian facilities of the Company run charitable programmes and campaigns and consistently provide aid to veteran organisations, as well as to children's and healthcare institutions. For as many as 20 years, TAGMET has run an annual campaign, *Marathon of Kindness*, with the proceeds directed to those families of metallurgists who have disabled children. The company also takes part in the nationwide campaign *Under the Flag of Kindness!*, which seeks to raise funds for children who need expensive health treatment.

The Volzhsky Pipe Plant actively develops volunteer initiatives by its young employees. The Council of Young Pipe Manufacturers of the Plant provides aid to the Volzhsky Baby House, the *Nadezhda* Centre for Rehabilitation of Children and Adolescents with Disabilities, the *Cheremushka* Childcare Centre for Visually Impaired Children, and to WW2 veterans.

In 2015, the Volzhsky Pipe Plant won an award of the Twelfth Industry Contest *Mining and Metallurgical Enterprise of High Social Efficiency* in the Relations with the Youth category. The contest was held by the Association of the Russian Mining and Metallurgy Industrialists and the Central Council of the Russian

Mining and Metallurgical Trade Union, in conjunction with the Russian Ministry of Industry and Trade.

To promote sports values TMK provides sponsorship support to the Russian Ski-Jumping and Nordic Combined Federation, the Russian Olympians Foundation and the Futsal Association of Russia, and a number of professional sports clubs in the regions where TMK operates, including

- The Ural Football Club of the Russian Premier League, based in Yekaterinburg
- The Sinara Mini-Football Club, based in Yekaterinburg, a two-times Russian champion
- The Dinamo-Sinara Women's Handball Club, based in Volgograd, a twelve-times Russian champion
- The TMK-TAGMET Tennis Club based in Taganrog.

We also sponsor amateur teams representing TMK's entities competing in various sports, including children's and youth sports.

In 2015, TMK took part in the Leaders in Corporate Philanthropy project organised by the Donors Forum, the Vedomosti business newspaper, and PwC, an international network of audit firms and consultancies. TMK ranked 10th in the overall rating of the project participants and won the contest's award in the Concept and Strategy of Corporate Philanthropy category. The Sinarsky Pipe Plant, Volzhsky Pipe Plant, and Seversky



TMK is a sponsor of the
Football Club Ural

Tube Works were awarded certificates for debut contestants.

Over five consecutive years, the American division of TMK has supported the activities of United Way charitable organisation in local communities and a number of other charitable institutions, including: the Emergency Management system of Beaver County, Pennsylvania; the American Cancer Society Annual Relay for Life in Blytheville, Arkansas, and the Food Banks for disadvantaged families in the Canadian province of Alberta. During the Christmas holidays, TMK IPSCO employees participated in the collection of presents for children from disadvantaged families in Houston, Texas.

In 2015, TMK-ARTROM (TMK's European division) continued its cooperation with, and support to, cultural and humanitarian projects of the Embassy of the Russian Federation in Bucharest, including the launch of

Rossotrudnichestvo's representative office in Romania and projects of the Russian Centre of Science and Culture in Bucharest.

A company of TMK's Middle East division, GIPI, Oman, provides support to local non-profit organisations and to social initiatives run by the Municipality of Sohar. It is also involved in financing educational institutions of Sohar and Liwa, and the football team of Sohar.

ENERGY CONSUMPTION BY TMK AND ITS SUBSIDIARIES IN 2015

ENERGY CONSUMPTION BY TMK AND ITS SUBSIDIARIES IN 2015

TYPE OF ENERGY SOURCE	UNIT OF MEASUREMENT	CONSUMPTION BY VOLUME	CONSUMPTION BY VALUE (USD THOUSAND)
Natural gas	thousand cu m	1,139,167	48,990
Electricity	thousand kWh	3,525,923	157,908
Heat	Gcal	268,313	5,548
Motor petrol	tonnes	286	233
Diesel fuel	tonnes	16,966	10,300
Fuel oil	tonnes	353	53
TOTAL			239,965



9.

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF TMK GROUP'S PERFORMANCE

3.9 million tonnes –
total sales
of tubular products

We produce virtually the entire range of tubular products for oil & gas, chemical, energy, mechanical engineering, construction, shipbuilding, agricultural, aviation, and aerospace industries.



Certain information, including our forecasts and strategy, contains forward-looking statements and is subject to risks and uncertainties, domestically and internationally. In assessing these forward-looking statements, readers should consider various risk factors as the company's actual results may differ materially from the expected results discussed in this report.

ROUNDING

Certain monetary amounts, percentages and other figures included in this report are subject to rounding adjustments. On occasion, therefore, amounts shown in tables may not be the arithmetic accumulation of the figures that precede them, and figures expressed as percentages in the text and in tables may not total 100 percent. Changes for periods between monetary amounts are calculated based on the amounts in thousands of U.S. dollars stated in our consolidated financial statements, and then rounded to the nearest million or percent.



EXECUTIVE OVERVIEW

USD
4127 m
total consolidated
revenue in 2015

by
36%
sales of LD pipe grew
in 2015 to 636 thousand
tonnes

The principal activities of our company are the production and distribution of seamless and welded pipes, including pipes with the entire range of premium connections backed by extensive technical support.

Our plants produce almost the entire range of existing pipes used in the oil-and-gas sector, the chemical and petrochemical industries, energy and machine-building, construction and municipal housing, shipbuilding, aviation and aerospace, and agriculture.

We created an up-to date technological complex based on advanced scientific research, manufacturing high-quality competitive products.

Our operations are geographically diversified with manufacturing facilities in Russia, the United States, Canada, Romania, Kazakhstan and the Sultanate of Oman. We operate R&D centers in Russia and the U.S. Our global market presence is supported by a wide distribution network. In 2015, we delivered 71% of our tubular products to our customers located in Russia and 15% in North America. We estimate our share on global market of seamless OCTG at 11%.

We are the largest exporter of pipes in Russia. Exports of pipes produced by our Russian plants accounted for 13% of our total sales in 2015.

In 2015, we sold 3,871 thousand tonnes of steel pipes. Seamless pipes comprised 62% of our sales volumes. Sales of seamless and welded OCTG reached 1,456 thousand tonnes, a 25% year-on-year increase, sales of LD pipe grew by 36% year-on-year to 636 thousand tonnes.

Our total consolidated revenue decreased by 31% to \$4,127 million as compared to 2014. Adjusted EBITDA¹ declined to \$636 million as compared to \$804 million in the previous year. Adjusted EBITDA margin increased to 15% from 13% in 2014.

¹ Adjusted EBITDA - See "Selected financial data".



BUSINESS STRUCTURE

Our operating units reflect TMK's management structure and the way financial information is regularly reviewed. For management purposes, TMK is organised into business divisions based on geographical location and has three reporting units:

RUSSIAN DIVISION:

Manufacturing facilities located in the Russian Federation, Kazakhstan and the Sultanate of Oman, and oilfield service companies and trading companies in Russia, Kazakhstan, Switzerland and the United Arab Emirates. The Russian division is engaged in the production and supply of seamless and welded pipe, premium products and the provision of related services to oil and gas companies

AMERICAN DIVISION:

Manufacturing facilities and trading companies located in the United States and Canada. The American division is engaged in the production and supply of seamless and welded pipe and premium products, including ULTRA™ connections and the provision of related services to oil and gas companies

EUROPEAN DIVISION:

Manufacturing facilities located in Romania and trading companies located in Italy and Germany. The European division is engaged in the production and supply of seamless pipe and steel billets.



RESULTS OF OPERATIONS

In 2015, our sales volumes and main financial indicators decreased year-on-year, however our margin improved.

	2015	2014	Change
	in million dollars		in million dollars
Sales volume (in thousand tonnes)	3,871	4,402	(531)
Revenue	4,127	6,009	(1,882)
Cost of sales	(3,282)	(4,839)	1,557
GROSS PROFIT	845	1,169	(325)
GROSS PROFIT MARGIN	20%	19%	
Net operating expenses ¹	(524)	(693)	170
(Impairment) / Reversal of impairment of assets	(352)	(153)	(199)
Foreign exchange gain/(loss), net	(141)	(301)	160
(Loss)/gain on changes in fair value of derivative financial instrument	(2)	2	(4)
Finance costs, net	(269)	(226)	(43)
INCOME/(LOSS) BEFORE TAX	(443)	(201)	(242)
Income tax benefit/(expense)	75	(15)	90
NET INCOME/(LOSS)	(368)	(217)	(151)
NET INCOME MARGIN	(9)%	(4)%	
ADJUSTED EBITDA	636	804	(168)
ADJUSTED EBITDA MARGIN	15%	13%	

¹ Net operating expenses include selling and distribution, general and administrative, advertising and promotion, research and development, share of profit in associate, gain on disposal of subsidiary and net other operating income/(expense).



SALES

In 2015, our consolidated revenue decreased by \$1,882 million or 31% mainly as a result of a negative currency conversion effect in the amount of \$1,828 million. Excluding this effect our revenue decreased by \$54 million year-on-year.

SALES BY REPORTING SEGMENTS ARE AS FOLLOWS:

	2015	2014	Change	Change
	in thousand tonnes		in thousand tonnes	
Russia	3,252	3,198	54	2%
America	440	1,019	(579)	(57)%
Europe	178	185	(6)	(3)%
TOTAL PIPE	3,871	4,402	(531)	(12)%
	in million dollars		in millions dollars	
Russia	3,189	3,973	(784)	(20)%
America	742	1,766	(1,024)	(58)%
Europe	196	270	(74)	(27)%
TOTAL REVENUE	4,127	6,009	(1,882)	(31)%

SALES BY GROUP OF PRODUCTS ARE AS FOLLOWS:

	2015	2014	Change	Change
	in thousand tonnes		in thousand tonnes	
Seamless pipe	2,410	2,560	(150)	(6)%
Welded pipe	1,461	1,842	(381)	(21)%
TOTAL PIPE	3,871	4,402	(531)	(12)%
	in million dollars		in millions dollars	
Seamless pipe	2,598	3,748	(1,151)	(31)%
Welded pipe	1,346	1,998	(652)	(33)%
TOTAL PIPE	3,944	5,747	(1,803)	(31)%
Other operations	183	262	(79)	(30)%
TOTAL REVENUE	4,127	6,009	(1,882)	(31)%



USD
845

m
consolidated gross
profit of TMK in 2015

by USD
423

m
revenue from sales of seamless
pipe increased due to better
pricing and product mix
in the Russian Division

RUSSIA.

The division's revenue decreased by \$784 million or 20% year-on-year as a result of a negative currency conversion effect in the amount of \$1,821 million. Excluding this effect revenue increased by \$1,037 million.

Revenue from sales of *seamless* pipe increased by \$423 million mainly due to better pricing and product mix.

Revenue from sales of *welded* pipe grew by \$560 million due to a significant growth in *large diameter pipe* sales volumes, also resulted in a better product mix.

Revenue from other operations increased by \$54 million reflecting a significant growth in *billets* sales.

AMERICA.

In the American division, revenue decreased by \$1,024 million or 58% year-on-year.

Lower drilling activity and reduced exploration and production expenses in North America caused a significant drop in sales volumes, primarily *OCTG*, and weaker pricing. As a result of unfavorable market environment revenue from sales of both *seamless* and *welded* pipe fell by \$395 million and \$590 million respectively.

Revenue from other operations decreased by \$39 million.

EUROPE.

In the European division, revenue decreased by \$74 million or 27% year-on-year. Unfavorable currency conversion effect amounted to \$6 million.

Revenue from sales of *seamless* pipe decreased by \$49 million as compared to the last year mostly as a result of weaker pricing.

Revenue from other operations, mostly from *billets* sales, declined by \$19 million as compared to previous year following lower sales volumes.

GROSS PROFIT

In 2015, our consolidated gross profit decreased by \$325 million or 28% year-on-year and amounted to \$845 million. The unfavorable currency conversion effect was \$432 million. Excluding this effect our gross profit increased by \$107 million. Gross profit margin increased to 20% from 19% in the previous year.

GROSS PROFIT RESULTS BY REPORTING SEGMENTS ARE AS FOLLOWS:

	2015		2014		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Russia	817	26%	891	22%	(74)
America	(18)	(2)%	223	13%	(241)
Europe	46	24%	55	21%	(9)
TOTAL GROSS PROFIT	845	20%	1,169	19%	(325)

GROSS PROFIT RESULTS BY GROUP OF PRODUCTS ARE AS FOLLOWS:

	2015		2014		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Seamless pipe	657	25%	907	24%	(250)
Welded pipe	170	13%	239	12%	(69)
TOTAL PIPE	826	21%	1,146	20%	(320)
Other operations	18	10%	23	9%	(5)
TOTAL GROSS PROFIT	845	20%	1,169	19%	(325)

RUSSIA.

The division's gross profit decreased by \$74 million as a result of a negative currency conversion effect in the amount of \$430 million. Excluding this effect gross profit increased by \$356 million. Gross profit margin increased from 22% to 26%.

Gross profit of seamless pipe increased by \$225 million as a result of better pricing and product mix.

Gross profit of welded pipe increased by \$127 million due to favorable sales mix following higher LD share in sales volumes.

Gross profit from other operations increased by \$5 million.



by **4%**

gross profit margin increased
in the Russian Division

AMERICA.

The American division's gross profit decreased by \$241 million as compared to 2014. Gross loss for 2015 amounted to \$18 million.

Gross profit from both seamless and welded pipe sales decreased by \$156 million and \$84 million respectively on the back of unfavorable market environment resulted in lower sales volumes and weaker pricing. A drop in prices wasn't fully offset by a decrease in raw material prices. Gross loss from welded pipe sales was \$64 million.

Gross profit from other operations decreased by \$2 million.

EUROPE.

Gross profit in the European division decreased by \$9 million as a negative effect of unfavorable pricing

environment was not fully offset by lower raw material prices. Gross profit margin grew from 21% to 24% as a result of higher seamless pipe share in total sales volume.

NET OPERATING EXPENSES

Net operating expenses were lower by \$170 million or 24% due to a negative currency translation effect. The share of net operating expenses, expressed as a percentage of revenue, was 13% compared to 12% in 2014.

ADJUSTED EBITDA

In 2015, adjusted EBITDA margin increased to 15% from 13% in the previous year following better results of our Russian division.

	2015		2014		Change
	in million dollars	in % to revenue	in million dollars	in % to revenue	in million dollars
Russia	629	20%	614	15%	15
America	(23)	(3)%	159	9%	(181)
Europe	30	15%	32	12%	(2)
TOTAL ADJUSTED EBITDA	636	15%	804	13%	(168)

Russia. Adjusted EBITDA was higher by \$15 million or 3%. Gross profit decrease was compensated by lower selling, general and administrative expenses. Adjusted EBITDA margin increased from 15% to 20%.



by 3%

Adjusted EBITDA in Russian
Division grew in 2015

America. Adjusted EBITDA was negative and amounted to minus \$23 million. Adjusted EBITDA decreased by \$181 million as compared to 2014 following a decline in gross profit.

Europe. Adjusted EBITDA decreased by \$2 million as compared to 2014. Adjusted EBITDA margin improved from 12% to 15%.

IMPAIRMENT OF ASSETS

We tested our assets for impairment during the year. As at December 31, 2015, we recognised the impairment loss of \$352 million, which mostly related to impairment of American division goodwill. In 2014, the impairment loss was \$153 million.

FOREIGN EXCHANGE MOVEMENTS

In 2015, we recorded a foreign exchange loss in the amount of \$141 million as compared to a \$301 million loss in 2014. In addition, we recognised a foreign exchange loss from exchange rate fluctuations in the amount of \$184 million (net of income tax) in 2015 as compared to a \$482 million loss (net of income tax) in 2014 in the statement of other comprehensive income. The amount in the statement of comprehensive income represents the effective portion of foreign exchange gains or losses on our hedging instruments.

NET FINANCE COSTS

Net finance costs increased by \$43 million or 19% mainly following higher interest expense. The weighted average nominal interest rate was 9.06% as of 31 December 2015 as compared to 7.26% as of 31 December 2014.

INCOME TAX

TMK, as a global company with production facilities and trading companies located in Russia, the CIS, the United States, and Europe, is exposed to local taxes charged to businesses. In 2014 and 2015, the following corporate income tax rates were in force in the countries where our production facilities are located: 20% in Russia, 35% (federal rate) in the United States and 16% in Romania.

In 2015, a pre-tax loss of \$443 million was reported as compared to \$201 million pre-tax loss in 2014. Income tax benefit of \$75 million was recognised as compared to \$15 million of income tax expense in 2014.



CASH FLOWS

The following table illustrates our cash flows:

	2015	2014	Change
	in million dollars		in million dollars
NET CASH PROVIDED BY OPERATING ACTIVITIES	684	595	89
Payments for property and equipment	(208)	(293)	85
Acquisition of subsidiaries	(2)	(60)	58
Dividends received	0	0	0
Other investments	25	10	15
FREE CASH FLOW	498	252	246
Change in loans	(193)	154	(347)
Interest paid	(274)	(251)	(24)
Other financial activities	128	95	33
FREE CASH FLOW TO EQUITY	158	251	(92)
Dividends paid	(41)	(51)	10
Effect of exchange rate changes	(65)	(40)	(25)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	253	93	160
Cash and cash equivalents at period end	305	253	52



by USD
422

m
overall financial debt
decreased as compared
to 2014

Net cash flows provided by operating activities increased by 15% to \$684 million from \$595 million in 2014, mainly due to working capital changes. In 2015, working capital decreased by \$105 million compared to a \$159 million increase in 2014.

Net repayment of borrowings totalled \$193 million as compared to \$154 million of proceeds from borrowings in 2014.

Growth in other financial activities was caused by proceeds from sales of treasury shares.
Cash and cash equivalents at the end of the period amounted to \$305 million as compared to \$253 million at the end of 2014.

INDEBTEDNESS

Our overall financial debt decreased from \$3,223 million as of 31 December 2014 to \$2,801 million as of 31 December 2015 partially influenced by the depreciation of the rouble against the U.S. dollar. Net repayment of borrowings in 2015 was \$193 million. Our net debt decreased to \$2,496 million as compared to \$2,969 million as of 31 December 2014.

As of 31 December 2015, our debt portfolio comprised of diversified debt instruments, including bank loans, bonds and other credit facilities. As of 31 December 2015, the U.S. dollar-denominated portion of our debt represented 63%, rouble-denominated portion of debt represented 34%, euro-denominated portion of debt represented 3% of our total debt.

The share of our short-term debt decreased to 21% as of 31 December 2015 compared to 24% as of 31 December 2014.

As of 31 December 2015, our debt portfolio comprised fixed and floating interest rate debt facilities. Borrowings with a floating interest rate represented \$261 million or 9% of total debt, and borrowings with a fixed interest rate represented \$2,494 million or 91% of our total debt.

As of 31 December of 2015, our weighted average nominal interest rate was 9.06%, which was a 180 basis point increase compared to 31 December 2014.



OUR MOST SIGNIFICANT CREDIT FACILITIES AS OF 31 DECEMBER 2015 WERE AS FOLLOWS:

Type of borrowing	Bank	Original currency	Outstanding principal amount	Maturity period
in millions of U.S. dollars				
6.75% bonds		USD	500	April 2020
7.75% bonds		USD	409	January 2018
Loan	Gazprombank	USD	400	June 2017
Loan	Gazenergobank	RUR	233	September 2025
Loan	Sberbank of Russia	RUR	178	December 2016
Loan	Alfa Bank	USD	150	January 2019
Loan	Sberbank of Russia	RUR	137	August 2019
Loan	Gazprombank	RUR	123	March 2019
Loan	Wells Fargo	USD	80	August 2016
Loan	Alfa Bank	USD	80	April 2018
			2,291	
Other credit facilities			447	
TOTAL LOANS AND BORROWINGS			2,738	

DEVELOPMENT TRENDS

For the full year 2016, we anticipate OCTG consumption in Russia to be almost flat compared to 2015. We also believe LDP demand to remain high to meet maintenance needs and support trunk pipeline construction projects. Overall, the Russian division margin is expected to be nearly unchanged compared to the level of 2015.

In the U.S., market conditions continue to be challenging, with weak demand for oil and gas pipe due to low drilling

volumes, large inventories, and continued low-priced imports. The American pipe market is not expected to recover before 2017.

Pipe consumption in the European pipe market is also expected to remain low in the first quarter of 2016 with a gradual improvement no earlier than the second half of 2016.



SELECTED FINANCIAL DATA

ADJUSTED EBITDA

Reconciliation of income before tax to Adjusted EBITDA for the twelve months ended:

	31 December 2015	30 September 2015	30 June 2015	31 March 2015	31 December 2014
in million dollars					
Income before tax	(443)	(282)	(174)	(151)	(201)
Depreciation and amortisation	251	261	276	288	304
Finance costs, net	269	256	251	234	226
Impairment of assets/(Reversal of impairment of assets)	352	153	153	153	153
Loss/(gain) on changes in fair value of derivative financial instrument	2	0	0	0	(2)
Foreign exchange (gain)/loss, net	141	285	264	262	301
Loss/(gain) on disposal of property, plant and equipment	11	9	5	5	4
Movement in allowances and provisions (except for provisions for bonuses)	54	27	13	15	20
Other non-cash items	0	0	0	(1)	0
Adjusted EBITDA	636	709	786	804	804

USD
636 ^m
adjusted EBITDA in 2015

Adjusted EBITDA is not a measure of our operating performance under IFRS and should not be considered as an alternative to gross profit, net profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, Adjusted EBITDA should not be considered to be a measure of discretionary cash available to invest in our growth. Adjusted EBITDA has limitations as an analytical tool, and potential investors should not consider it in isolation, or as a substitute for analysis of our operating results as reported under IFRS.

THE FOLLOWING LIMITATIONS OF ADJUSTED EBITDA AS AN ANALYTICAL TOOL SHOULD BE CONSIDERED:

- Adjusted EBITDA does not reflect the impact of financing or finance costs on our operating performance, which can be significant and could further increase if we were to incur more debt
- Adjusted EBITDA does not reflect the impact of income taxes on our operating performance
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation on our operating performance. The assets that are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from

Adjusted EBITDA, it does not reflect our future cash requirements for these replacements

- Adjusted EBITDA does not reflect the impact of other non-cash items on our operating performance, such as foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions, (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associate and other non-cash items.

Other companies in the pipe industry may calculate Adjusted EBITDA differently or may use it for other purposes, limiting its usefulness as comparative measure. We compensate for these limitations by relying primarily on our IFRS operating results and using Adjusted EBITDA only supplementally.



NET DEBT

Net debt has been calculated as of the dates indicated:

	31 December 2015	30 September 2015	30 June 2015	31 March 2015	31 December 2014
in million dollars					
Loans and borrowings	2,755	2,781	2,999	3,037	3,170
Liability under finance lease	46	48	50	50	53
TOTAL DEBT	2,801	2,829	3,048	3,087	3,223
Net of:					
Cash and short-term financial investments	(305)	(183)	(164)	(107)	(253)
NET DEBT	2,496	2,646	2,884	2,980	2,969
NET DEBT TO EBITDA (LTM1)	3,92	3,73	3,67	3,70	3,69

1. Net Debt-to-EBITDA ratio is defined as the quotient of Net Debt at the end of the given reporting date divided by the Adjusted EBITDA for the 12 months immediately preceding the given reporting date. Adjusted EBITDA see "Selected financial data".

Net Debt is not a measure under IFRS, and it should not be considered to be an alternative to other measures of financial position. Other companies in the pipe industry may calculate Net Debt differently and therefore comparability may be limited. Net Debt is a measure of our operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non IFRS measure, it is widely used to assess liquidity and the adequacy of a company's financial structure. Management believes Net Debt provides an accurate indicator of our ability to meet our financial obligations, represented by gross debt, from available cash. Net Debt

demonstrates investors the trend in our net financial position over the periods presented. However, the use of Net Debt assumes that gross debt can be reduced by cash. In fact, it is unlikely that all available cash will be used to reduce gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Net Debt and the ratio of net debt to equity, or leverage, are used to evaluate our financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost.

78%

of TMK tubular products were used in oil and gas industry in 2015

These measures also make it possible to evaluate if our financial structure is adequate to achieve our business and financial targets. Management monitors the net debt and the leverage ratio or similar measures as reported by other companies in Russia or abroad in order to assess our liquidity and financial structure relative to such companies. Management also monitors the trends in our Net Debt and leverage in order to optimise the use of internally generated funds versus borrowed funds.

PRINCIPAL RISKS AND UNCERTAINTIES

INDUSTRY RISKS

DEPENDENCE ON THE OIL AND GAS INDUSTRY

The oil and gas industry is the principal consumer of steel pipe products worldwide and accounts for most of our sales, in particular sales of OCTG, line pipe and large-diameter pipe. In 2015, sales volumes of pipes used in oil and gas industry accounted for approximately 78% of our tubular products.

The oil and gas industry has historically been volatile and downturns in the oil and gas markets can adversely affect demand for our products, which largely depends on the number of oil and gas wells being drilled, completed and reworked, the depth and drilling conditions of wells and the construction of oil and gas pipelines. The level of such industry specific activities in turn depends on the level of capital spending by major oil and gas companies. The level of investment activities of oil and gas companies, which is largely driven by

prevailing prices for oil and natural gas and their stability, significantly affects the level of consumption of our products.

In 2014 and 2015, oil and natural gas prices decreased significantly by more than 50%. As a consequence, we faced pricing pressure on our products, particularly in the United States, and are likely to continue to face similar pressure in 2016.

Thus, the decline in oil and gas exploration, drilling and production activities, prices for energy commodities and other economic factors beyond our control could adversely affect our results of operations.

INCREASES IN THE COST OF RAW MATERIALS

We require substantial quantities of raw materials to produce steel pipes. The principal raw materials used in production processes include scrap and ferroalloys for use in steelmaking operations, steel billets used for the production of seamless pipe and steel coils and plates for the production of welded pipe. The demand for the principal raw materials we utilize is generally correlated with macroeconomic fluctuations, which in turn are affected by global economic conditions.

Prices for raw materials and supplies have a key influence on our production costs and are one of the main factors affecting our results of operations. There are many factors which influence raw materials prices, including oil and gas prices, worldwide production capacity, capacity utilization rates, inflation, exchange



62%

the share of raw materials' and consumables' costs in the total cost of production in 2015

39%

of our total sales volumes were shipped to five largest customers (Rosneft, Gazprom, Surgutneftegas, Gazprom Neft and Lukoil)

66%

of our LDP were sold for Gazprom projects

rates, trade barriers and developments in steelmaking processes. In 2015, the cost of scrap metal in Russia in rouble-terms increased on average by 6%, and the cost of coils increased by 30%. At the same time, we are negotiating new contract terms with our major clients based on pricing formulas, which secure us against growing raw materials prices. The share of raw materials' and consumables' costs in the total cost of production in 2015 was 62%. The increase in prices for scrap, coils and other raw materials, if not passed to customers can adversely affect our profit margins and results of operations.

Our plants also consume significant quantities of energy, particularly electricity and gas. In 2015, energy and utility costs comprised approximately 8% of our total cost of production. The prices for electricity for our plants increased by 1% in rouble-terms compared to 2014, while the average prices for domestic natural gas for our plants increased by 3% in rouble-terms. If we are required to pay higher prices for gas and electricity in the future, our costs will rise and this could have a material adverse effect on our business, financial condition, operational results and prospects.

DEPENDENCE ON A SMALL GROUP OF CUSTOMERS

As we focus on supplying primarily the oil and gas industry, our largest customers are oil and gas companies. In 2015, our five largest customers were Rosneft, Gazprom, Surgutneftegas, Gazprom Neft and Lukoil, which together accounted for 39% of our total sales volumes. The increased dependence of pipe

sales on a single large customer bears the risk of an adverse effect on results of operations in the event that our relationship with any of these major customers deteriorates.

Our LDP business is largely dependent on one of our largest customers, Gazprom. In 2015, 66% of our LDP were sold to Gazprom projects. Increased competition in the supply of LDP or a change in relationship with Gazprom could negatively affect our competitive position in the large-diameter pipe market, resulting in decreased revenues from sales of these products and adversely affecting our business, financial position and results of operations. Additionally, large-diameter pipe business depends significantly upon the level of construction of new oil and gas pipelines in Russia and the CIS. The delay, cancellation or other changes in the scale or scope of significant pipeline projects, or the selection by the sponsors of such projects of other suppliers could have an adverse effect on our sales of LDP, and thus on the results of operations and financial position.

COMPETITION

The global market for steel pipe products, particularly in the oil and gas sector, is highly competitive. In the Russian and CIS markets, we face competition primarily from ChTPZ, OMK, and the Ukrainian and Chinese pipe producers.

After accession to the WTO, Russia had adjusted its national legislation in full accordance with WTO rules and regulations, which allowed Russia along with the



EEU (Eurasian Economic Union) to use WTO trade defense mechanism for the national market protection to the full extent. To date, the following antidumping measures were imposed: antidumping duties 18.9%-19.9% on imports of Interpipe (Ukraine) pipe production, antidumping duties of 19.15% on imports of cold-drawn stainless steel pipe from China, antidumping duties 12.23%-31% in respect to OGTG originated from China.

In 2015, the EEC initiated anti-dumping investigations against imports into the EEU: an investigation in respect to seamless stainless steel pipes and an expiry review in respect to certain tubes and pipes. Both products were originated from Ukraine. Final decisions are expected in 2016.

Outside Russia and the CIS, we compete against a limited number of premium-quality pipe products producers, including Tenaris, Vallourec, Sumitomo, Voestalpine and Chinese producers.

In the United States according to the DOC's findings in August 2014 antidumping duties were imposed at the following levels in respect to Oil Country Tubular Goods: India 2.05%-9.91%; Turkey 35.86%; South Korea 9.89%-15.75%, Taiwan 2.34%, Vietnam 25.18%-111.47%, the countervailing duties were 5.67%-19.57% for India and 2.53%-15.89% for Turkey.

In October 2015, after the results of the investigations in respect to welded API line pipe from South Korea and Turkey were released the final antidumping and

countervailing duties were set at the following level: 6.66%-22.95% for Turkey, 2.53%-6.19% for Korea, the final countervailing duties for Turkey were set at level of 1.31%-152.20%, for Korea 0.28%-0.44% (less than de minimis level and wouldn't be applied).

Decisions and determinations subsequent to results of the investigations mentioned above are expected to ensure the alignment of competitive conditions of the competition in the market of pipe products in Russia and America in 2015 and contribute to the improvement of market positions of Russian and American plants.

Nevertheless, if the measures taken by the EEU or International Trade Commission have appeared to be insufficient for the protection from the unfair import in the future, this could have an adverse impact on TMK market position.

FINANCIAL RISKS

LIQUIDITY RISK

As of December 31, 2015, our total debt decreased to \$2,801 million as compared to \$3,223 million at the end of 2014, partially due to the rouble depreciation against the U.S. dollar. Net repayment amounted to \$193 million. As of December 31, 2015, our Net-Debt-to-EBITDA ratio was 3.92x.

In 2015, we duly satisfied and discharged obligations under loan agreements and refinanced a certain part of our loan portfolio.



In February, 2015 we redeemed our 5.25% Convertible Bonds due 2015 convertible into GDRs, each representing four ordinary shares of TMK. To redeem the bonds TMK used cash accumulated from operating and financial activities, including four-year USD denominated credit facility from one of the leading Russian commercial banks.

In October-November 2015, we redeemed \$91.78 million of \$500 million 7.75% loan participation notes due 2018. Following settlement of the transaction outstanding amount of the Eurobonds is \$408.82 million.

Improving liquidity profile remains one of our priorities, and we continue to carry out measures to maintain sufficient liquidity and improve loan portfolio structure. During 2015, to assure effective access to financial resources, we concluded short-term and medium-term credit line agreements with major Russian banks for the total amount of 30.1 billion Roubles. As of 31 December 2015, we committed credit lines in Russian, European and American banks with the available limit of \$527.9 million.

Nevertheless, there can be no assurance that our efforts to improve liquidity profile and reduce leverage will prove successful. The negative debt market reaction on deteriorating global political and financial situation, US and EU sanctions, economic situation in Russia, hike of the key rate by the Bank of Russia may have an adverse impact on our ability to borrow in banks or capital markets, and may put pressure on our liquidity, significantly increase borrowing costs, temporary reduce

the availability of credit lines or lead to and possibility to incur financing on acceptable terms.

COMPLIANCE WITH COVENANTS

Certain amount of our loan agreements and public debt securities currently include financial covenants. Some covenants impose financial ratios that must be maintained, others impose restrictions in respect of certain transactions, including restrictions in respect of indebtedness, pledging of assets and material asset disposals. A breach of financial or other covenants in existing debt facilities, if not resolved by means such as obtaining a waiver from the relevant lender and/or making amendments to debt facilities, could trigger a default under our obligations.

As of 31 December 2015, we were in compliance with lenders' requirements under covenants.

Nevertheless, in case financial markets or economic situation on the markets, where we operate, deteriorate in the future, we may not comply with relevant covenants. In case of possible breach we will obtain all necessary waivers or standstill letters. We do not expect the occurrence of such events in the near future.

INTEREST RATE RISK

Substantial part of our loan portfolio is represented by loans with fixed interest rate. However, some loan agreements contain a right of creditors at its sole discretion to change interest rates including in case of

USD
261

m
loans with floating
interest rates
as of December 31, 2015

change of credit indicators by the Central Bank of Russia and in some other cases. After significant growth of the key rate in the end of 2014, interest rates for some of our borrowings have increased.

Interest expenses are the prevailing part of our finance costs. In 2015, our finance costs increased as compared to 2014. As of December 31, 2015 our weighted average nominal interest rate amounted to 9.06% compared to 7.26% as of December 31, 2014.

Additionally, certain part of our loan portfolio is represented by loans with floating interest rates. As of December 31, 2015, loans with floating interest rates represented \$261 million. The underlying rates in current loans with floating interest rates are LIBOR and EURIBOR. Variable rate loans accounted for 8% of the total loan portfolio at the end of 2015, after taking into account the effect of interest rate swaps.

Should floating interest rates increase in the future or Central Bank of Russia changes the key rate, interest expenses on relevant loans will grow.

CURRENCY RISK

Our products' prices as well as our costs are nominated both in roubles and in other currencies (generally, in U.S. dollars and EUR). We hedge our net investment in operations located in the United States and Oman against foreign currency risks using U.S. dollar denominated liabilities. Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised as

other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. In 2015, we incurred foreign exchange losses from spot rate changes in the total amount of \$371 million, including \$141 million recognised in the income statement and \$230 million (before income tax) recognised in the statement of comprehensive income.

As of December 31, 2015, 63% of our loans were denominated in U.S. dollar. In this regards, as well as taking into consideration continuing volatility of the rouble against U.S. dollars, the risk of losses owing to the rouble devaluation remains sufficiently high. Nevertheless, depreciation of the rouble against the U.S. dollar could adversely affect our net profit as coherent losses will be reflected in our consolidated income statements.

INFLATION RISK

A significant amount of our production activities are located in Russia, and a majority of direct costs are incurred in roubles. We tend to experience inflation-driven increases in certain costs, such as raw material costs, transportation costs, energy costs and salaries that are linked to the general price level in Russia. In 2015, inflation in Russia reached 12.9% as compared to 11.4% in 2014. In spite of the measures of the Russian government to contain inflation, growth of inflation rates may be significant in the short-term outlook. We may not be able to increase the prices sufficiently in order to preserve existing operating margins.



63%

of our loans were
denominated in U.S. dollar
as of December 31, 2015

Inflation rates in the United States, with respect to our American division operations, are historically much lower than in Russia. In 2015, inflation in the United States decreased to 0.73% in comparison with 0.76% in 2014.

High rates of inflation, especially in Russia, could increase our costs, decrease our operating margins and adversely affect our business and financial position.

LEGAL RISKS

CHANGES IN TAX LEGISLATION AND TAX SYSTEM

Our subsidiaries make significant tax and non-budgetary funds payments, in particular, profit tax, VAT, property tax and payments to social security funds. Changes in tax legislation could lead to an increase in tax payments and, consequently, to a lowering of financial results. As significant part of the operations is located in Russia, the main risks relate to changes in the legislation of the Russian tax system. The Russian Government continually reviews the Russian tax legislation. The new laws generally reduce the number of taxes and the overall tax burden on business while simplifying tax legislation. Nevertheless, should the Russian taxation system undergo any changes related to an increase tax rates, this could adversely affect our business.

Moreover, the Russian oil industry is subject to substantial taxes, including significant resources production taxes and significant export customs duties. Changes to the tax regime and customs duties rates may

adversely affect the level of oil and gas exploration and development in Russia, which can adversely affect the demand for our products in Russia.

CHANGES IN ENVIRONMENTAL LAW

We meet the requirements of national environmental laws the locations of our industrial facilities the directives and regulations of Russian, the United States, the European Union, Romanian, Kazakhstan and Omani legislation.

The main environmental-and-economical risks of our Russian plants are related to changes and tightening of the Russian environmental protection laws. Environmental legislation in Russia is constantly developing. The imposition of a new law and regulation system may require further expenditures to install new technological and waste disposal equipment, pollution and wastewater control equipment, and will lead to growth of the rate of payments for negative impact on the environment. It is expected that compliance with the regulations will be accompanied by stricter control by state monitoring authorities.

We estimate that the environmental legislation of the European Union and the United States, Romania, Kazakhstan and Oman will not undergo any material changes in the near future. Nevertheless, if such changes arise, the cost of compliance with new requirements could have a material adverse effect on our business.



OTHER RISKS

EQUIPMENT FAILURES OR PRODUCTION CURTAILMENTS OR SHUTDOWNS

Our production capacities are subject to the risk of equipment failures due to unanticipated events, such as fires, explosions and adverse weather conditions. Manufacturing processes depend on critical pieces of steelmaking and pipe-making equipment. Such equipment may, on occasion, be out of service as a result of unanticipated failures could require us to close part of the relevant production facility or cause to reduce production on one or more of production lines. Any interruption in production capability may require us to make significant and unanticipated capital expenditures to affect relevant repairs, which could have a negative effect on our profitability and cash flows.

INSURANCE AGAINST ALL POTENTIAL RISKS AND LOSSES

We have limited and, potentially, an insufficient level of insurance coverage for expenses and losses that may arise in connection with the quality of our products, property damage, work-related accidents and occupational illnesses, natural disasters and environmental contamination. We have no insurance coverage for loss of profits or other losses caused by the death or incapacitation of our senior management and we have no business interruption insurance. Losses or liabilities arising from these or other such events could

increase our costs and could have a material adverse effect on our business, financial condition, results of operations and prospects.

ABILITY TO REDUCE STAFF AND SHORTAGES OF SKILLED LABOR

Our Russian subsidiaries are often the largest employers in the cities in which they operate, such as Volzhsky, Taganrog, Kamensk-Uralsky and Polevskoy. While we do not have any specific legal social obligations or responsibilities with respect to these regions, the ability to reduce the number of our employees may nevertheless be subject to political and social considerations. Any inability to make planned reductions in the number of employees or other changes to operations in such regions could have an adverse effect on the operational results and prospects.

Competition for skilled labor in the steel pipe industry remains relatively intense, and labor costs continue to increase moderately, particularly in the CIS, Eastern Europe and the United States. We expect the demand and, hence, costs for skilled engineers and operators will continue to increase, reflecting the significant demand from other metallurgical companies and other industries. Continual high demand for skilled labor and continued increases in labor costs could have a material adverse effect on our business, financial position and results of operations.

1. TMK PROFILE
2. LETTER TO SHAREHOLDERS
3. KEY EVENTS
4. COMPANY OVERVIEW

5. COMPANY'S SECURITIES
6. COST OPTIMISATION AND LIQUIDITY MANAGEMENT
7. CORPORATE GOVERNANCE REPORT

8. CORPORATE CITIZENSHIP
9. MD&A
10. CONSOLIDATED FINANCIAL STATEMENTS

10. CONSOLIDATED FINANCIAL STATEMENTS

USD
4,127 million –
TMK's revenue
in 2015

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS")

Consolidated financial statements of PAO TMK and its subsidiaries are published on the Company's website at https://www.tmk-group.com/Financial_results (the Financial Results section)



MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

MAJOR TRANSACTIONS

In 2015, no major transactions were made.

RELATED-PARTY TRANSACTIONS

TRANSACTIONS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF PAO TMK:

No.	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
1	Buyer – PAO TMK Supplier – PAO TAGMET	Shipments of tubular products Amount: RUB 11,500,000,000 Expiry date: 30 June 2016	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO TAGMET's Board of Directors
2	Buyer – PAO TMK Supplier – PAO Sinarsky Pipe Plant	Shipments of tubular products Amount: RUB 18,000,000,000 Expiry date: 30 June 2016	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors
3	Buyer – PAO TMK Supplier – PAO Seversky Tube Works	Shipments of tubular products Amount: RUB 14,500,000,000 Expiry date: 30 June 2016	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors

TRANSACTIONS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF PAO TMK:

No.	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
4	Buyer – PAO TMK Supplier – AO Volzhsky Pipe Plant	Shipments of tubular products Amount: RUB 27,700,000,000 Expiry date: 30 June 2016	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
5	Lender – PAO VTB Bank, Surety – PAO TMK, Beneficiary – AO TMK Trade House	Providing suretyship Amount: RUB 11,972,383,562 Expiry date: 21 March 2016	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
6	Lender – PAO TMK, Borrower – PAO Seversky Tube Works	Loan issue Amount: RUB 489,298,699 Maturity period: up to 60 months	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors
7	Loan issuing bank – AO ALFA-BANK, Surety – PAO TMK, Beneficiary – AO Volzhsky Pipe Plant	Providing suretyship Amount: RUB 4,512,896,000 Expiry date: 31 December 2023	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors

TRANSACTIONS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF PAO TMK:

No.	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
8	Loan issuing bank – AO ALFA-BANK, Surety – PAO TMK, Beneficiary – PAO Sinarsky Pipe Plant	Providing suretyship Amount: RUB 2,820,560,000 Expiry date: 31 December 2023	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors
9	Loan issuing bank – AO ALFA-BANK, Surety – PAO TMK, Beneficiary – PAO Seversky Tube Works	Providing suretyship Amount: RUB 2,820,560,000 Expiry date: 31 December 2023	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors
10	Loan issuing bank – AO ALFA-BANK, Surety – PAO TMK, Beneficiary – PAO TAGMET	Providing suretyship Amount: RUB 2,820,560,000 Expiry date: 31 December 2023	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO TAGMET's Board of Directors
11	Lender – PAO TMK, Borrower – AO Volzhsky Pipe Plant	Loan issue Amount: RUB 6,501,589,416 Expiry date: 10 July 2018	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors

TRANSACTIONS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF PAO TMK:

No.	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
12	Lender – PAO TMK, Borrower – PAO Seversky Tube Works	Loan issue Amount: RUB 663,118,212 Expiry date: 14 September 2018	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Klachkov, are simultaneously members of PAO Seversky Tube Works' Board of Directors
13	Lender – PAO TMK, Borrower – PAO Sinarsky Pipe Plant	Loan issue Amount: RUB 346,200,329 Expiry date: 15 September 2018	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors
14	Surety – PAO TMK, Lender – PAO Sberbank Beneficiary – PAO TAGMET	Providing suretyship Amount: RUB 4,650,000,000 Expiry date: 26 August 2022	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov, are simultaneously members of PAO TAGMET's Board of Directors
15	Surety – PAO TMK, Lender – PAO Sberbank, Beneficiary – AO Volzhsky Pipe Plant	Providing suretyship Amount: RUB 10,852,636,986 Expiry date: 26 August 2022	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors

TRANSACTIONS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF PAO TMK:

No.	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
16	Lender – PAO TMK, Borrower – AO Volzhsky Pipe Plant	Loan issue Amount: RUB 1,823,009,759 Maturity period: up to 60 months	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
17	Lender – PAO TMK, Borrower – AO TMK Trade House	Loan issue Amount: RUB 3,170,057,534 Expiry date: 22 October 2015	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
1	Supplier – PAO Severstal, Surety – PAO TMK; Beneficiary – AO TMK Trade House	Providing suretyship Amount: RUB 1,500,000,000 Expiry date: 31 March 2016	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
2	Lender – PAO TMK, Borrower – Rockarrow Investments Limited	Loan issue Amount: RUB 7,953,277,640 Expiry date: 36 months from the first repayment date	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of Rockarrow Investments Limited.
3	Buyer – PAO TMK Supplier – AO Orsky Machine Building Plant	Shipments Amount: RUB 850,000,000 Expiry date: 01 March 2015–30 June 2015	BoD/executive bodies members A. Shiryayev, T. Petrosyan, S. Bilan are simultaneously members of AO Orsky Machine Building Plant's Board of Directors
4	Buyer – PAO TMK Supplier – ZAO TMK-CPW	Shipments Amount: RUB 1,700,000,000 Expiry date: 01 March 2015–30 June 2015	BoD member V. Oborsky is simultaneously a member of ZAO TMK-CPW's Board of Directors.
5	Agent – PAO TMK, Principal – PAO Sinarsky Pipe Plant	Orders to sell goods, close related-party transactions Amount: RUB 79,000,000 Expiry date: 30 June 2015	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
6	Agent – PAO TMK, Principal – AO Volzhsky Pipe Plant	Orders to sell goods, close related-party transactions Amount: RUB 715,000,000 Expiry date: 30 June 2015	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
7	Agent – PAO TMK, Principal – AO Orsky Machine Building Plant	Orders to sell goods, close related-party transactions Amount: RUB 7,700,000 Expiry date: 30 June 2015	BoD/executive bodies members A. Shiryayev, T. Petrosyan, S. Bilan are simultaneously members of AO Orsky Machine Building Plant's Board of Directors
8	Agent – PAO TMK, Principal – PAO TAGMET	Orders to sell goods, close related-party transactions Amount: RUB 415,000,000 Expiry date: 30 June 2015	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO TAGMET's Board of Directors
9	Agent – PAO TMK, Principal – PAO Seversky Tube Works	Orders to sell goods, close related-party transactions Amount: RUB 59,000,000 Expiry date: 30 June 2015	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors
10	Agent – PAO TMK, Principal – ZAO TMK-CPW	Orders to sell goods, close related-party transactions Amount: RUB 12,500,000 Expiry date: 30 June 2015	BoD member V. Oborsky is simultaneously a member of ZAO TMK-CPW's Board of Directors.

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
11	PAO TMK AO TMK Trade House	Agreement for termination of ordinary partnership agreement (joint operations) Amount: n/a Expiry date: 28 February 2015	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
12	Surety – PAO TMK; Supplier – OAO Magnitogorsk Iron and Steel Works Beneficiary – AO TMK Trade House	Providing suretyship Amount: RUB 4,000,000,000 Expiry date: 31 March 2016	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
13	Surety – PAO TMK; Bank – PAO Sberbank, Beneficiary – OOO TMK CHERMET	Providing suretyship Amount: RUB 1,044,940,274 Expiry date: 26 May 2020	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of OOO TMK CHERMET.
14	Surety – PAO TMK, Debtor – AO TMK Trade House	Surety fee contract for a surety issued by PAO TMK Amount: RUB 13,980,000 Expiry date: 30 October 2017	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
15	Surety – PAO TMK, Debtor – OOO TMK CHERMET	Surety fee contract for a surety issued by PAO TMK Amount: RUB 2,800,000 Expiry date: 26 May 2017	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of OOO TMK CHERMET.

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
16	Surety – PAO TMK Lender – VTB Bank (Deutschland) A.G. Beneficiary – TMK Europe GmbH	Providing suretyship Amount: RUB 1,159,535,381.20 Expiry date: 15 June 2016	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of TMK Europe GmbH.
17	Debtor – PAO TMK, Surety – AO Volzhsky Pipe Plant	Surety fee contract for a surety issued by AO Volzhsky Pipe Plant Amount: RUB 23,300,000 Expiry date: 23 April 2018	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
18	Debtor – PAO TMK, Surety – PAO Seversky Tube Works	Surety fee contract for a surety issued by PAO Seversky Tube Works Amount: RUB 23,300,000 Expiry date: 23 April 2018	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors
19	Debtor – PAO TMK, Surety – AO TMK Trade House	Surety fee contract for a surety issued to AO TMK Trade House Amount: RUB 23,300,000 Expiry date: 23 April 2018	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
20	Debtor – PAO TMK, Surety – AO Volzhsky Pipe Plant	Surety fee contract for a surety issued by AO Volzhsky Pipe Plant Amount: RUB 17,878,728 Expiry date: 31 December 2020	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov, are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
21	Debtor – PAO TMK, Surety – PAO Seversky Tube Works	Surety fee contract for a surety issued by PAO Seversky Tube Works Amount: RUB 17,878,728 Expiry date: 31 December 2020	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Klachkov, are simultaneously members of PAO Seversky Tube Works' Board of Directors
22	Debtor – PAO TMK, Surety – PAO Sinarsky Pipe Plant	Surety fee contract for a surety issued by PAO Sinarsky Pipe Plant Amount: RUB 17,878,728 Expiry date: 31 December 2020	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov, are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors
23	Debtor – PAO TMK, Surety – PAO TAGMET	Surety fee contract for a surety issued by PAO TAGMET Amount: RUB 17,878,728 Expiry date: 31 December 2020	BoD/executive bodies members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov, are simultaneously members of PAO TAGMET's Board of Directors
24	Surety – PAO TMK, Bank – Gazprombank (Switzerland) Ltd, Beneficiary – TMK Middle East FZCO	Addendum to a guarantee amending the terms – to reduce the deal size Amount: n/a Expiry date: 28 February 2018	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of TMK Middle East FZCO.
25	Surety – PAO TMK, Bank – Gazprombank (Switzerland) Ltd, Beneficiary – TMK Gulf International Pipe Industry LLC	Providing suretyship Amount: RUB 574,999,665.72 Expiry date: 28 February 2018	Member of the Management Board V. Shmatovich is simultaneously a member of the Board of Directors of TMK Gulf International Pipe Industry LLC
26	Surety – PAO TMK, Debtor – TMK Gulf International Pipe Industry LLC	Surety fee contract for a surety issued by PAO TMK Amount: RUB 3,677,671.20 Expiry date: 28 February 2018	Member of the Management Board V. Shmatovich is simultaneously a member of the Board of Directors of TMK Gulf International Pipe Industry LLC

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
27	Lender – PAO TMK, Borrower – OOO TMK R&D Centre	Loan issue Amount: RUB 14,906,332 Expiry date: 15 September 2016	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of OOO TMK R&D Centre.
28	Surety – PAO TMK, Debtor – AO TMK Trade House	Surety fee contract for a surety issued by PAO TMK Amount: RUB 1,050,000 Expiry date: 31 October 2016	BoD/Management Board members A. Kaplunov, A. Shiryaev, T. Petrosyan, V. Oborsky are simultaneously members of AO TMK Trade House's Board of Directors (V. Oborsky is also CEO of AO TMK Trade House)
29	Depositor – PAO TMK, Depository – AO UniCredit Bank	Depository Agreement Amount: RUB 3,960,000 per year Expiry date: 12 October 2016 (renewable)	BoD/Management Board members M. Alekseev is simultaneously Chairman of the Management Board of AO UniCredit Bank
30	Surety – PAO TMK, Debtor – PAO TAGMET	Surety fee contract for a surety issued by PAO TMK Amount: RUB 5,250,000 Expiry date: 26 August 2019	BoD/executive bodies members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov, are simultaneously members of PAO TAGMET's Board of Directors
31	Surety – PAO TMK, Debtor – AO Volzhsky Pipe Plant	Surety fee contract for a surety issued by PAO TMK Amount: RUB 12,250,000 Expiry date: 26 August 2019	BoD/Management Board members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov, are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
32	Guarantor – PAO TMK, Bank – Gazprombank (Switzerland) Ltd, Beneficiary – TMK GLOBAL S.A.	Providing suretyship Amount: RUB 747,254,278 Expiry date: until full performance of obligations – 28 February 2018	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of TMK GLOBAL S.A.

TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
33	Surety – PAO TMK, Beneficiary – TMK GLOBAL S.A.	Surety fee contract for a surety issued by PAO TMK Amount: RUB 4,844,000 Expiry date: 28 August 2018	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of TMK GLOBAL S.A.
34	Surety – PAO TMK, Lender – AO RRDB, Beneficiary – AO Volzhsky Pipe Plant	Providing suretyship Amount: RUB 1,984,526,027 Expiry date: 07 October 2017	BoD/Management Board members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
35	Surety – PAO TMK, Debtor – AO Volzhsky Pipe Plant	Surety fee contract for a surety issued by PAO TMK Amount: RUB 5,600,000 Expiry date: 07 October 2017	BoD/Management Board members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov, are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
36	Surety – PAO TMK, Debtor – AO Volzhsky Pipe Plant	Surety fee contract for a surety issued by PAO TMK Amount: RUB 19,832,260 Expiry date: 31 December 2020	BoD/Management Board members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Lyalkov, are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors
37	Surety – PAO TMK, Debtor – PAO Seversky Tube Works	Surety fee contract for a surety issued by PAO TMK Amount: RUB 12,395,163 Expiry date: 31 December 2020	BoD/Management Board members A. Kaplunov, A. Shiryayev, T. Petrosyan, A. Klachkov are simultaneously members of PAO Seversky Tube Works' Board of Directors



TRANSACTIONS APPROVED BY PAO TMK'S BOARD OF DIRECTORS:

No	Parties to and beneficiaries of the transaction	Scope and material terms of the transaction	Related parties
38	Surety – PAO TMK, Debtor – PAO Seversky Tube Works	Surety fee contract for a surety issued by PAO TMK Amount: RUB 12,395,163 Expiry date: 31 December 2020	BoD/Management Board members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO Sinarsky Pipe Plant's Board of Directors
39	Surety – PAO TMK, Debtor – PAO TAGMET	Surety fee contract for a surety issued by PAO TMK Amount: RUB 12,395,163 Expiry date: 31 December 2020	BoD/Management Board members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of PAO TAGMET's Board of Directors
40	Surety – PAO TMK, Debtor – OOO TMK R&D Centre	Surety fee contract for a surety issued by PAO TMK Amount: RUB 3,004,904 Expiry date: 31 December 2020	Affiliates of shareholders owning over 20% of shares in PAO TMK hold 20% of the authorised capital of OOO TMK R&D Centre.
41	Management Company – PAO TMK, Company under Control – AO Volzhsky Pipe Plant	Addendum to agreement on the delegation of powers vested in the company's sole executive body to the management company PAO TMK Amount: RUB 356,053,200 Expiry date: 31 December 2016	BoD/Management Board members A. Kaplunov, A. Shiryaev, T. Petrosyan, A. Lyalkov are simultaneously members of AO Volzhsky Pipe Plant's Board of Directors

GLOSSARY

Casing	Steel pipe used to reinforce the walls of a well
Drill pipe	Threaded seamless steel butted pipe used for well drilling
EAF	Electric arc furnace
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
FQM	Fine Quality Mill
IFRS	International Financial Reporting Standards
ISO 13679:2002	Oil and gas industry. Standardised procedures to test casing pipe and tubing connections
ISO 14001:2004	Environmental Management System. Requirements and guidelines
ktpa	Thousand tonnes per annum
LDP	Large diameter pipe
Line pipe	Pipe used in the construction and workover of upstream, transmission and process pipelines
mcm	Million cubic metres
OCTG	Oil country tubular goods
PQF	Premium Quality Finishing
RAS	Russian Accounting Standards
SAGD technology	Steam Assisted Gravity Drainage



GLOSSARY

Seamless pipe	Pipe manufactured through the insertion of a solid billet in a press or a piercing mill (with subsequent hot or cold working)
TAGMET	Taganrog Metallurgical Works OJSC
Tubing	Plain-end steel pipe or steel pipe with externally upset ends for oil and gas well operation
VIT	Vacuum insulated tubing
Welded pipe	Pipe made from metal coil, plate, strip or sheet, rolled and welded, and manufactured on a tube welding mill



CONTACTS

COMPANY PROFILE

Full name: PAO TMK
Short name: TMK
Registered address: 40 Pokrovka St., bld. 2A, Moscow
105062, Russia

Tel.: +7 495 775 7600
Fax: +7 495 775 7601

E-mail: Moscow@ru.ey.com tmk@tmk-group.com
Information subject to disclosure in accordance with laws
on the securities market of the Russian Federation:
<http://www.e-disclosure.ru/portal/company.aspx?id=274>

INVESTOR INFORMATION

Marina Badudina
Head of Strategic Investment Analysis and Investor
Relations

Tel.: +7 495 775 7600
E-mail: Moscow@ru.ey.com ir@tmk-group.com

WEBSITE

Russian version: <http://www.tmk-group.ru>
English version: <http://www.tmk-group.com>

DEPOSITARY BANK

The Bank of New York Mellon
Address: 101 Barclay Street, 22 Floor, 10286 New York
Contact person: Tatyana Vesselovskaya
Tel.: +1 212 815 2867
E-mail: Moscow@ru.ey.com Tatyana.Vesselovskaya@BNYMellon.com

REGISTRAR

AO Registrator R. O. S. T
Located at: 18 Stromynka Street, bld. 13, Moscow,
Russian Federation
Licence: 10 000 1 00264 of 12 December 2002
(indefinite)
Tel.: +7 495 771 7335
E-mail: Moscow@ru.ey.com rost@rrrost.ru

AUDITOR

Ernst & Young
Located at: 77 Sadovnicheskaya Embankment, bld. 1,
Moscow, 115035, Russian Federation
Tel.: +7 495 705 9700
E-mail: Moscow@ru.ey.com Moscow@ru.ey.com
Ernst & Young is a member of the Audit Chamber of
Russia Self-Regulated Non-Profit Partnership and is
included in the reference copy of the register of auditors
and audit organisations under identification number
10201017420.

