
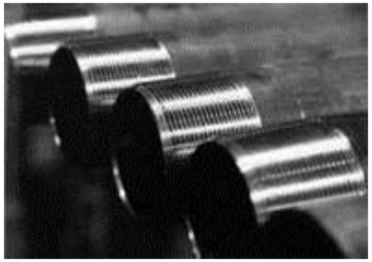


# TMK

**Investor Presentation**

**June 2015**

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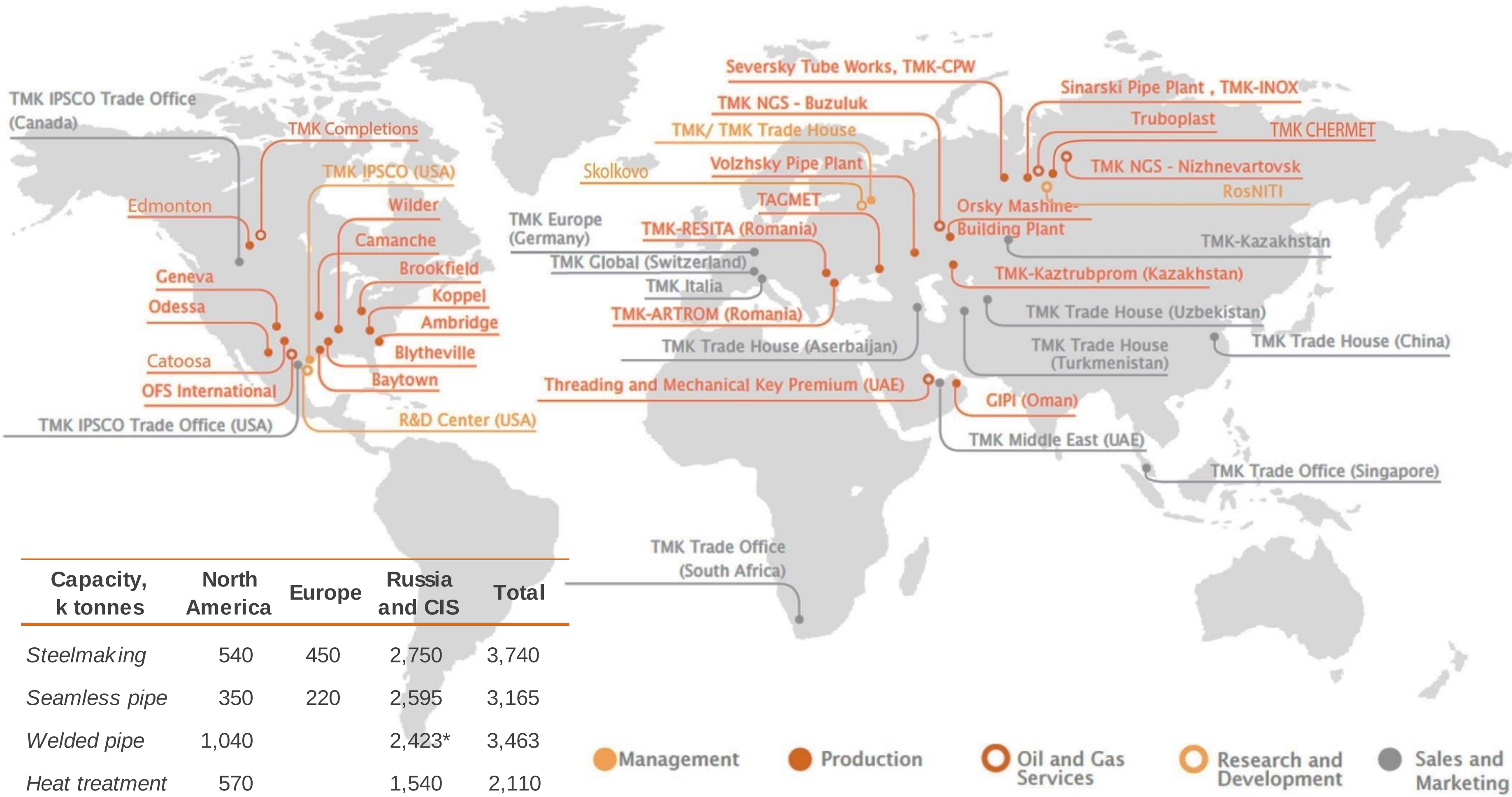
# TMK– Global Supplier of Full Range of Pipes for Oil and Gas Industry




| Capacity, k tonnes | North America | Europe | Russia and CIS | Total |
|---|---|---|---|---|
| *Steelmaking* | 540 | 450 | 2,750 | 3,740 |
| *Seamless pipe* | 350 | 220 | 2,595 | 3,165 |
| *Welded pipe* | 1,040 | | 2,423* | 3,463 |
| *Heat treatment* | 570 | | 1,540 | 2,110 |
| *Threading* | 1,570** | | 1,560 | 3,130 |

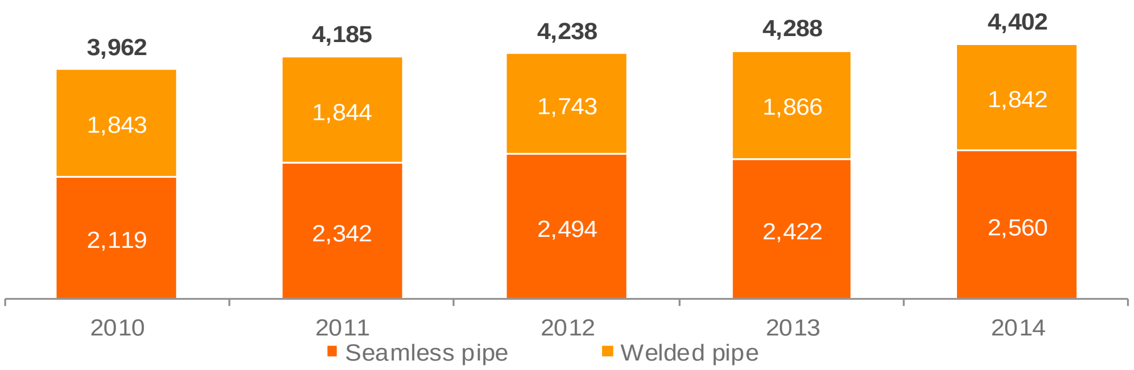
*Note:*
** Including 895 k tonnes of LDP capacity*
***Including ULTRA Premium connections of 250 k tonnes and OFSi capacity of 310 ktonnes*

*Source: TMK data*

# Leading Global Supplier of Pipe for Oil and Gas Industry

- A world leading tube producer by sales volumes in 2014 and in the last 5 years

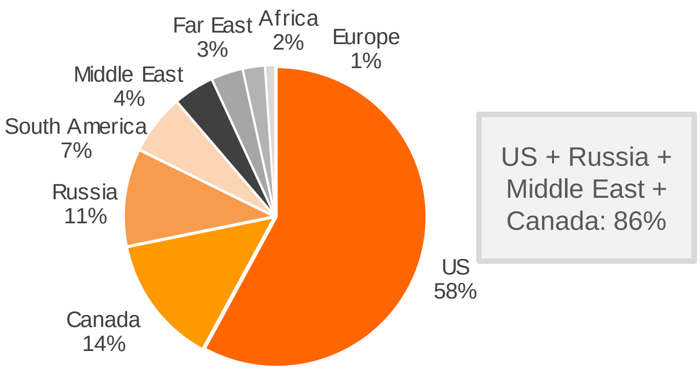
Sales Volumes (thousand tonnes)




*Source: TMK data*

- Local producer in countries which account for 86% of global drilling activity
- High exposure to the oil and gas industry: approximately 78% of sales went to the oil and gas sector in 2014

**2014 global drilling activity by geography**
**(number of wells drilled)**

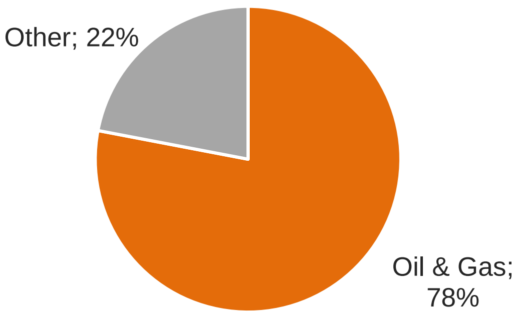



*Note: Excluding China and Central Asia. Onshore and offshore drilling*

*Source: Spears & Associates*

**Focus on oil & gas industry**

2014 Sales by Industry (%)

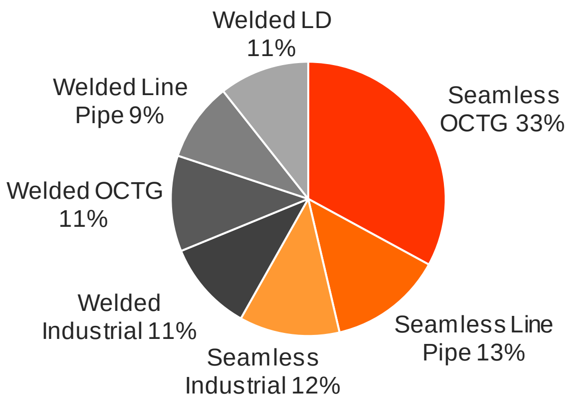



*Source: TMK data*

# Diversified Business Model

## Diversified product portfolio and customer base

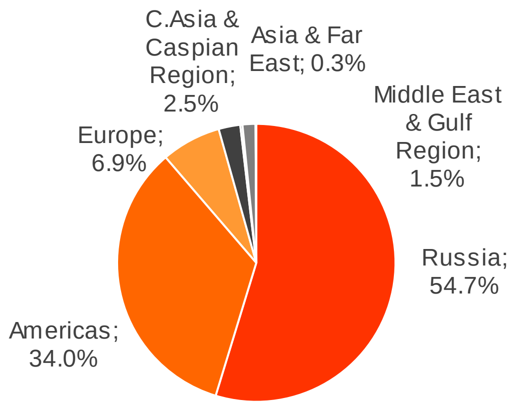
Sales Volumes by Product (FY2014)




*Source: TMK data*

## Diversified geographical reach

TMK Revenues by Country (FY2014)




*Source: TMK data*

## Key Considerations

- High degree of diversification enabling earnings resilience.
- Geographical diversification seeking to mitigate swings in geographical demand (Russian division 55% and American division 34% of 2014 revenues).
- Diversified product portfolio, including full range of seamless and welded pipes.
- Focus on higher value added products, including seamless pipes and OCTG.
- Diversified customer base covering end users in oil and gas and industrial sectors (top 5 customers represented 32% of sales for FY2014).
- Long-term relationships with Russian oil and gas majors (Rosneft, Surgutneftgas, Lukoil, TNK-BP and Gazprom).

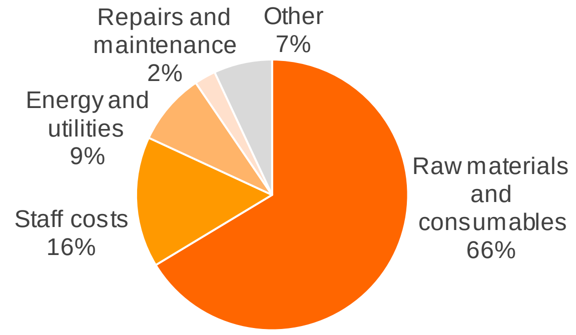
# Low Cost Vertically Integrated Producer

## Key considerations

- Structural cost advantages over major international competitors: Russia is one of the lowest cost regions for steel production.
- Fully vertically integrated seamless pipe production (upstream and downstream operations) in all divisions.
- Almost self-sufficient in steel billets.
- Both Russia and North American businesses have benefitted from significant synergies and complementarily since the acquisition of IPSCO.
- Ability to generally pass cost of steel increase to customers albeit with some time lag.
- In February 2015, TMK acquired a 100% interest in ChermetServis-Snabzhenie for a total amount of around RUB 2.73 billion. ChS-Snabzhenie had been the main scrap supplier to TMK steel mills for the last several years and fully covered the Company's needs in scrap

## Raw materials costs can generally be passed through to customers

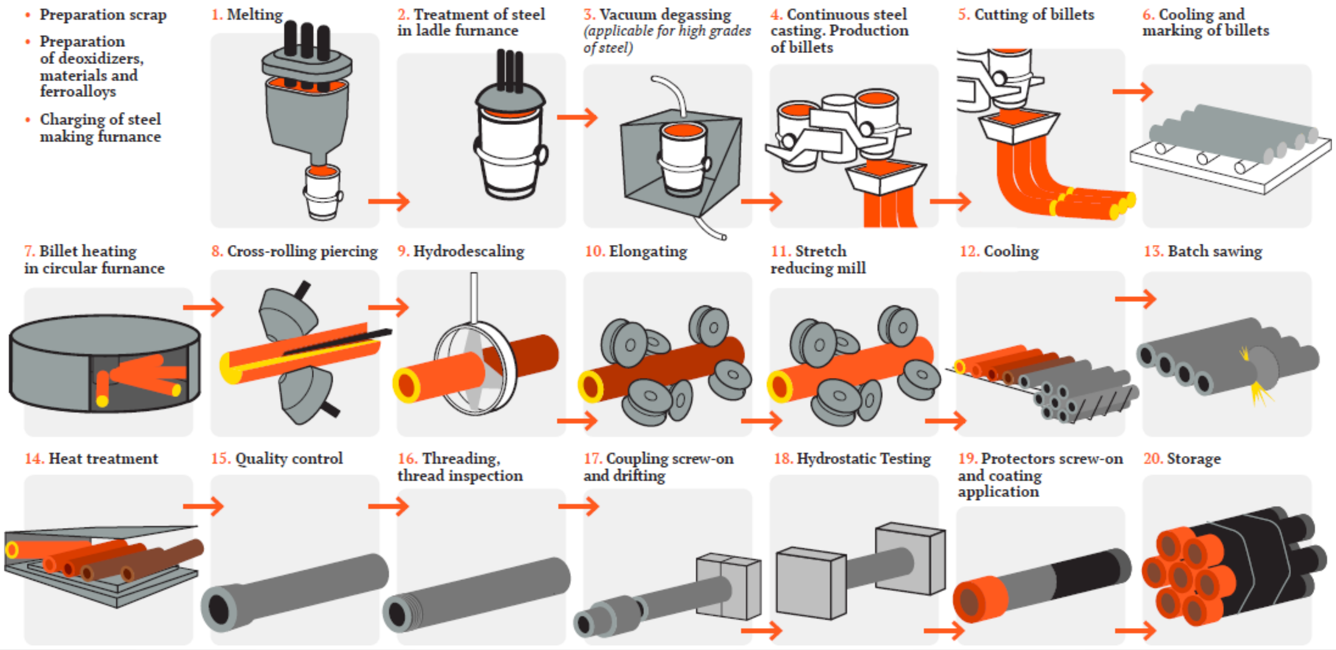
Cost of Sales Structure (1Q2015)




Note: Excluding depreciation and amortisation

*Source: TMK IFRS accounts*

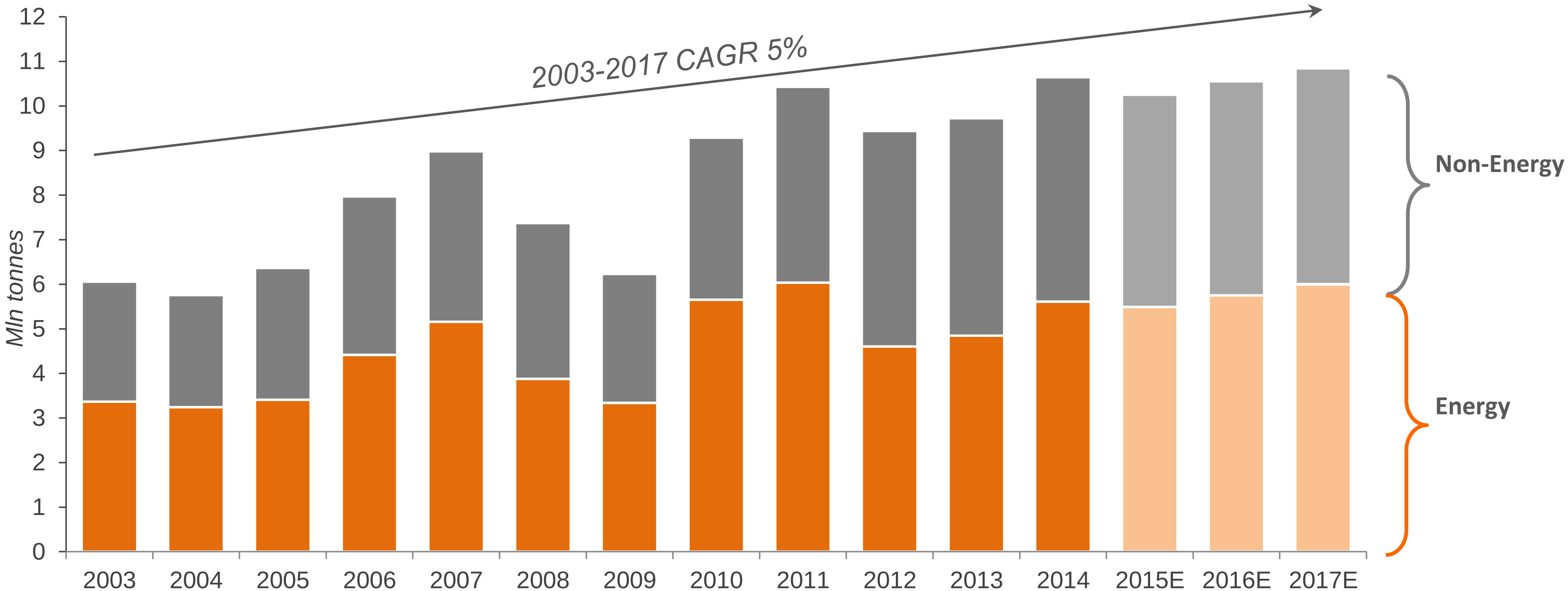
## Vertical integration in seamless business




*Source: TMK*

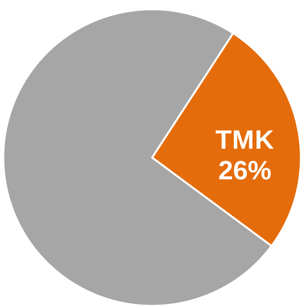
# Russian Market Overview

# Russian Tube & Pipe Market



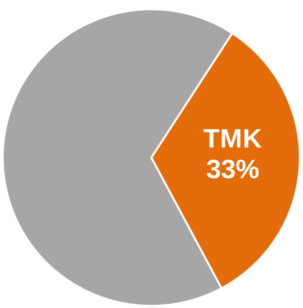

*Source: TMK estimates*

**#1 in the Russian tube & pipe market**




*Source: TMK estimates, based on 1Q2015 numbers*

**33% share of energy market demand**




*Source: TMK estimates, based on 1Q2015 numbers*

# Russian Market Share Positions

SEAMLESS

**OCTG 69%**

+8% QoQ

Seamless OCTG for oil and gas


**Line pipe 63%**

+11% QoQ

Seamless line pipe for oil and gas

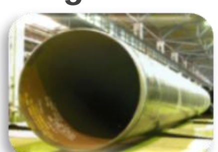

**Industrial pipe 38%**

+3% QoQ

High-margin products for industrial needs


WELDED

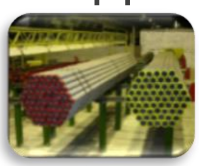
**Large diameter pipe 17%**



+1% QoQ

Large diameter pipe for projects


**Line pipe 23%**



-2% QoQ

Welded line pipe for oil and gas


**Industrial pipe 7%**

-3% QoQ

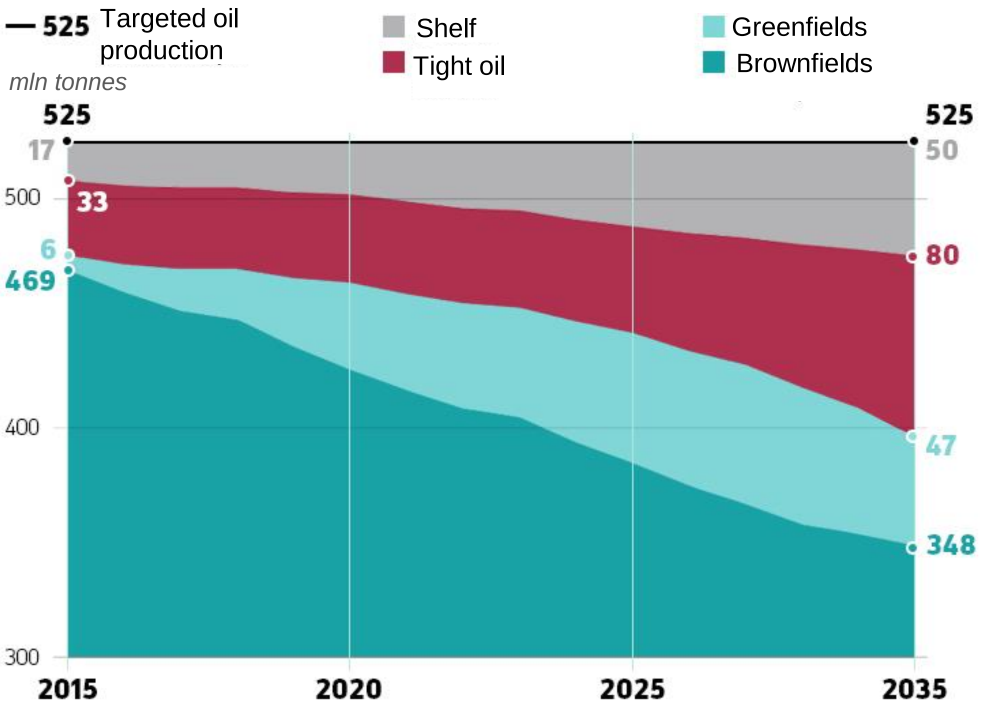
Welded industrial products


*Source: TMK estimates, based on 1Q2015 numbers*

# Russian Oil & Gas Market Overview

## Oil production in Russia

Targeted scenario of oil production will be reaziled if total share of shelf and tight oil production reaches 25% by 2035



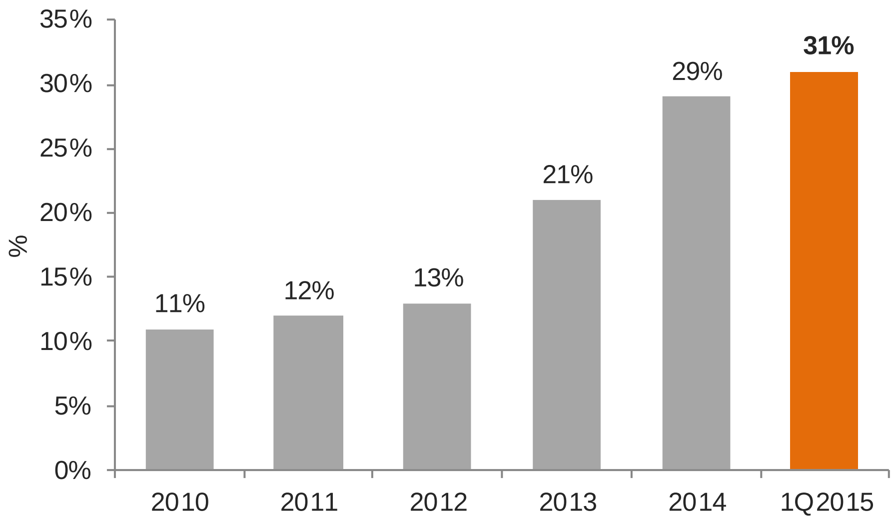

Source: Ministry of Energy, RBC

## Key considerations

- Russia's Ministry of Energy expects oil production on brownfields to decrease by more than 25% by 2035.
- Oil production is forecasted to remain stable through 2035, and lower brownfield production should be offset by increasing tight oil and greenfield production.
- As a result of higher share of E&P activity at greenfields and tight oil reserves demand for premium tubular products should increase.

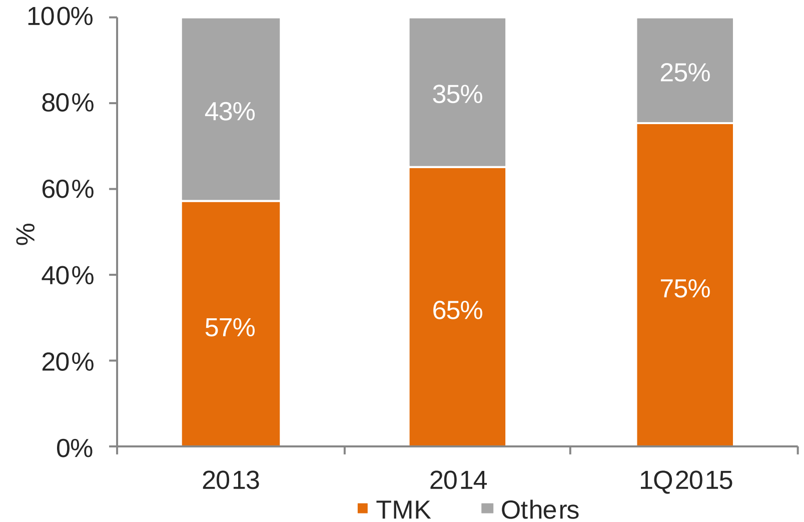
# Russian Oil & Gas Market Overview - Continued

### Growing share of horizontal drilling




*Source: CDU TEK*

### TMK’s share on the premium market

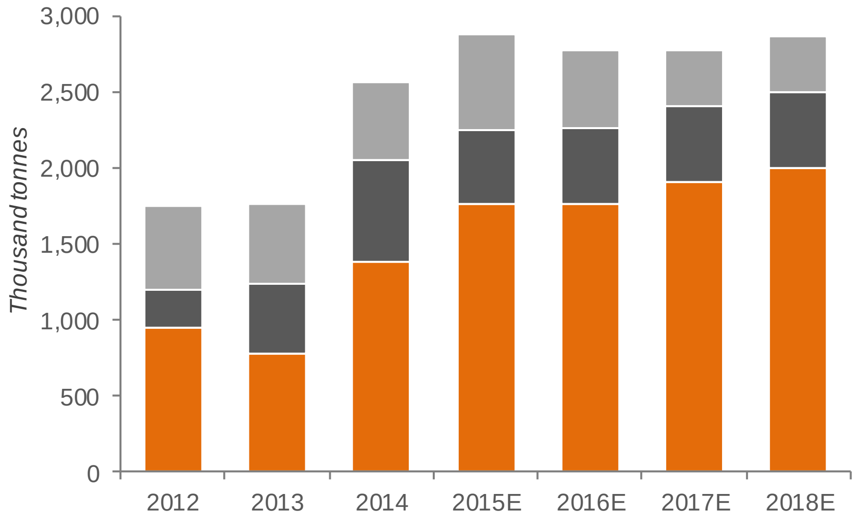



*Source: TMK Estimates*

- TMK is a leader in production of premium tubular products on the Russian market with a market share reaching around 75% in 1Q2015.
- Share of horizontal drilling is constantly growing for the last five years and it drives demand for higher value added tubular products such as premium connections.

# Gazprom's Eastern Program Creates Additional Demand

## LDP demand in Russia, 2012-2018E



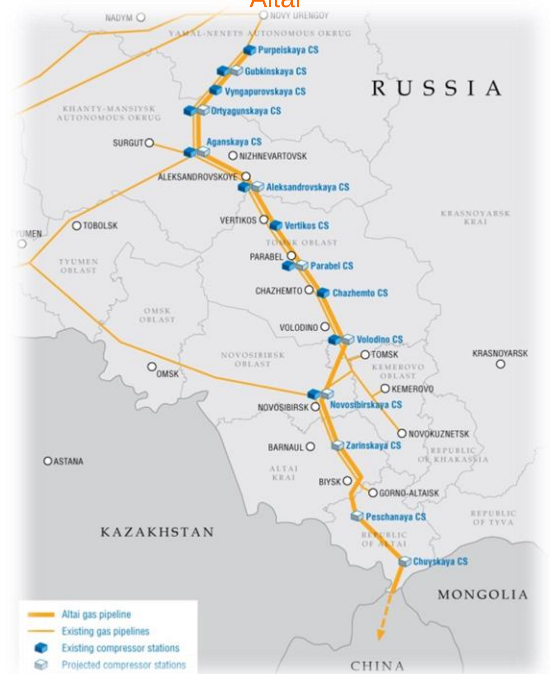

*Source: TMK Estimates*

## Gazprom's Eastern program

Power of Siberia


*Source: Gazprom*

Altai



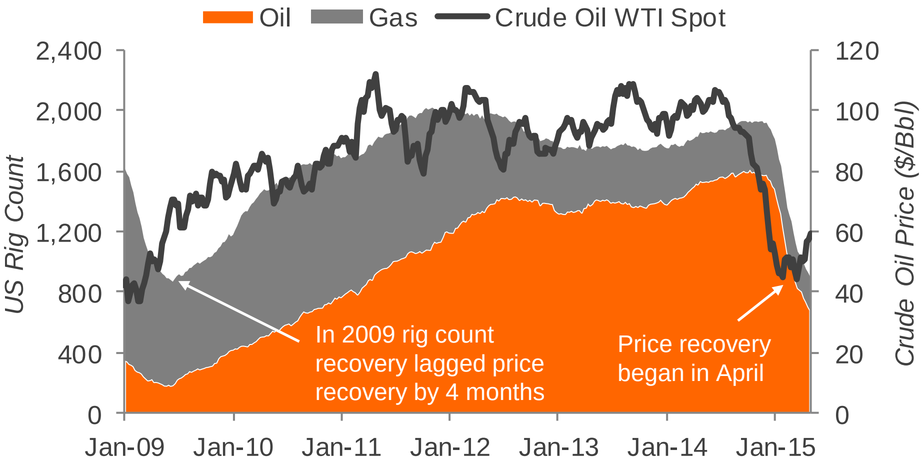

*Source: Gazprom*

- Annual LDP demand for the nearest four years could amount to approximately 2.8 million tonnes.
- Major projects planned: Power of Siberia (GAZP), Altai (GAZP), Turkish Stream (GAZP), maintenance needs of Transneft and Gazprom.
- Demand for LDP from Power of Siberia project alone could amount to 2.7 mln tonnes through 2018.
- In April 2015, TMK started LD pipe deliveries for Power of Siberia gas transmission system. Throughout 2015 and beginning of 2016, the Company plans to deliver more than 150 thousand tonnes of LD pipe for the project.
- Substantial amounts of OCTG pipe consumption (including premium connections) are expected from the Chayandinskoye and Kovyktinskoye fields through 2020.

# US Market Overview

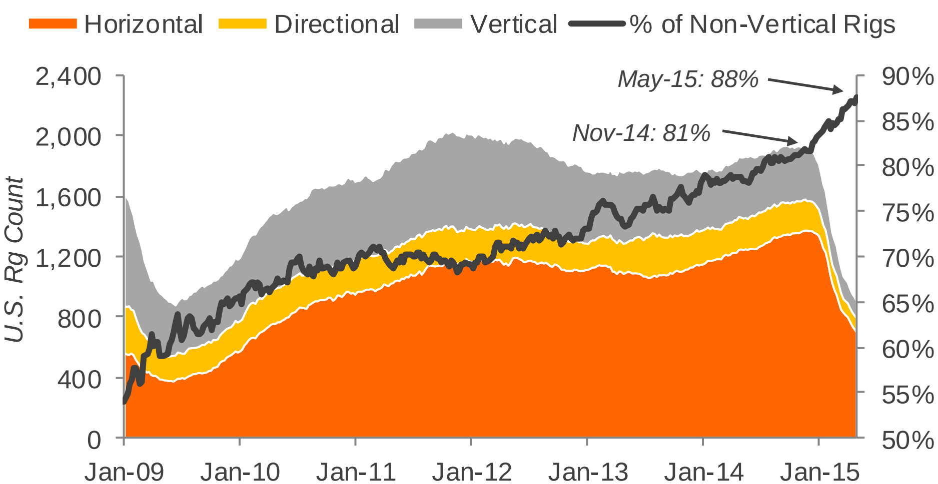
# State of the Industry in the US

## Drop in rig count followed drop in oil prices




*Source: Baker Hughes*

## Vertical drilling being more severely affected

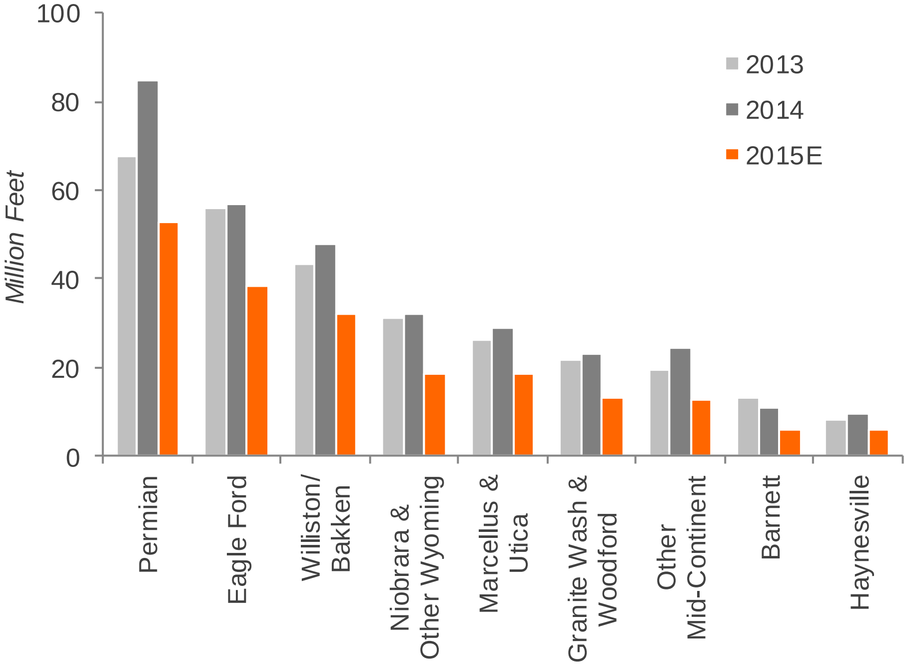



*Source: Baker Hughes*

- Rig count dropped by about 900 rigs since the beginning of the year and over 1,000 rigs since Nov 2014.
- During 2009 market down-turn, rig count began to recover once oil prices reached $70/Bbl. Since then, improvements in technology brought this inflection price down.
- The drop in vertical rigs, which typically consume lower value pipe, was relatively higher than the drop in non-vertical rigs, which consume more and higher value pipe.
- Vertical rigs, which accounted for nearly 20% of total rig count in November 2014, now account for 12% of total rigs.
- The oil price started trending back up, with Brent over $65 and WTI around $60.

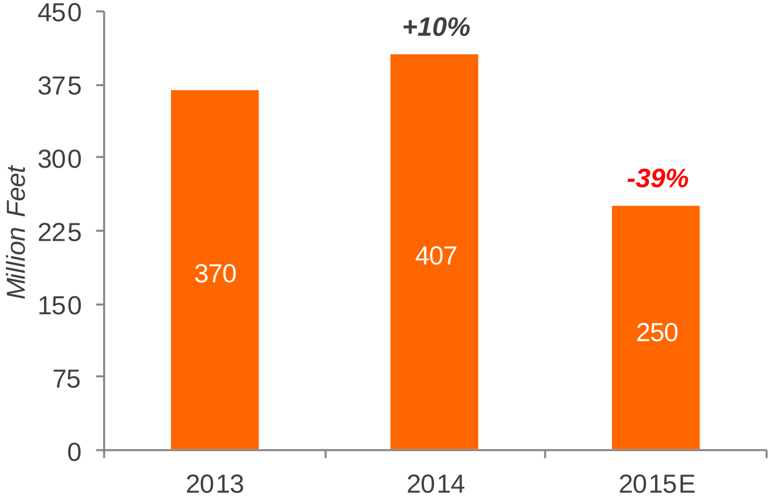
# State of the Industry in the US – continued

## Footage drilled by region




*Source: Spears & Associates, Outlook for US Upstream Oil & Gas Industry*

## Total footage drilled

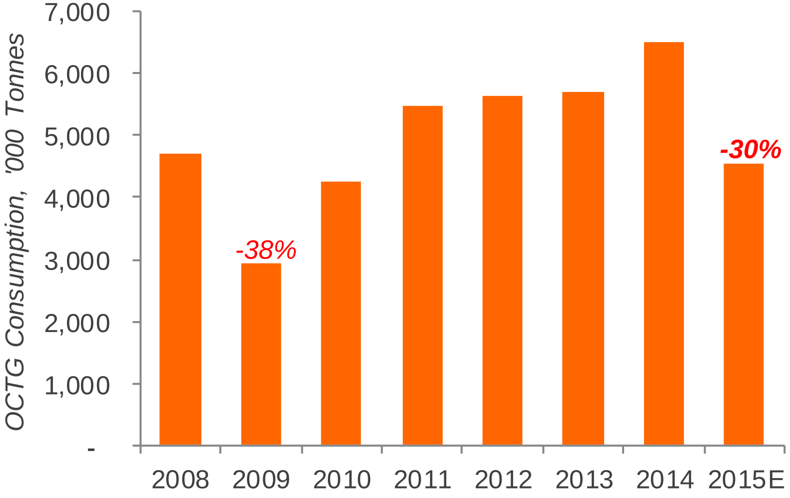



*Source: Spears & Associates, Outlook for US Upstream Oil & Gas Industry*

- Consensus is that 2015 average rig count will drop 35% - 40% compared to 2014 average, reaching 850 - 900 rigs at the trough. This will result in a similar percentage drop in total footage drilled.

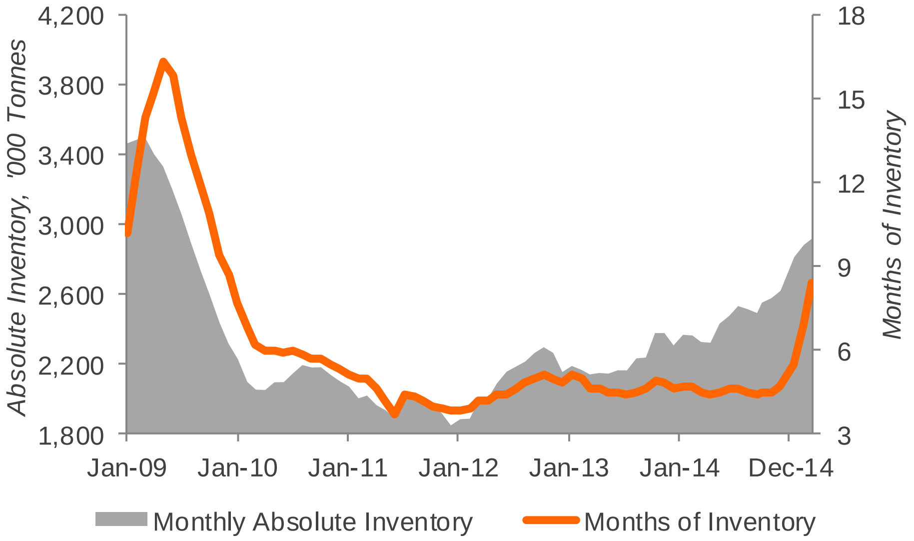
# Impact on US OCTG Demand

**FY2015 forecast remains unchanged, with OCTG consumption expected to drop sharply**




*Source: Preston Pipe & Tube Report*

**OCTG inventories, at 8.4 months of consumption in March 2015, are expected to continue rising in 2Q 2015**

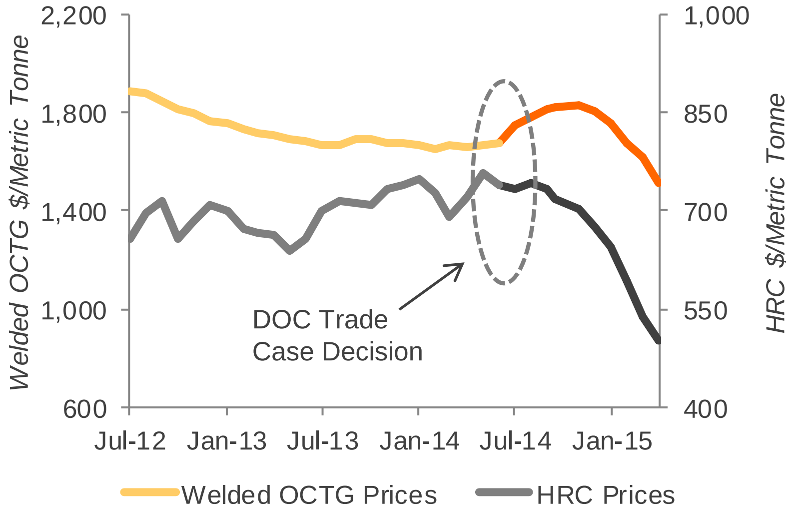



*Source: Preston Pipe & Tube Report*

- In 2009, US OCTG consumption dropped by 38%, while the average yearly rig count dropped by 42%, going from 1,878 rigs in 2008 to 1,086 in 2009. Year to date 2015 average rig count is 31% lower than the 2014 yearly average. The drop in consumption is being partially mitigated by the greater (and growing) proportion of horizontal rigs, which consume more pipe per well/rig.
- A greater drop in 1Q2015 consumption than in shipments led to an increase in absolute inventories, which in turn led to a strong increase in months of inventory.
- Mill shipments will need to drop more than the projected OCTG consumption decline in order to allow inventory levels to return to 4.5-5 months of inventory.
- TMK expects to see a gradual recovery in drilling activity and demand for OCTG towards the end of the year.

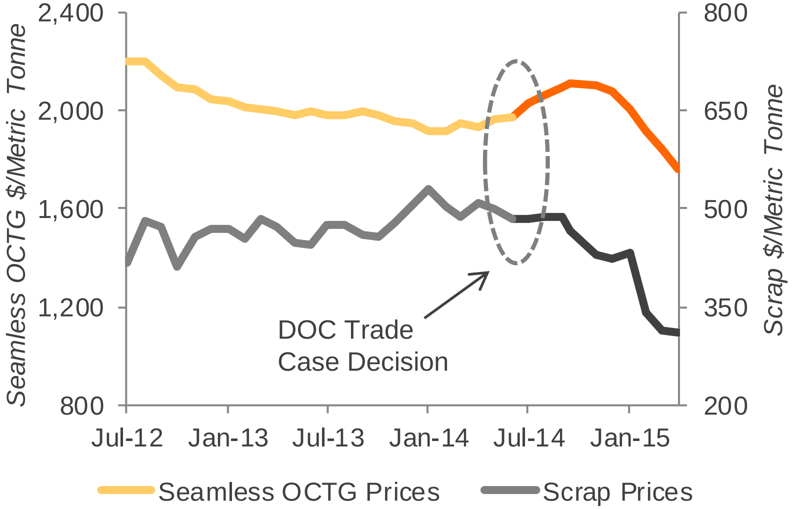
# Price Decline Being Aided by Drop in Raw Material Costs

### US distributor welded OCTG vs HRC prices
*(Monthly Average)*




*Source: Pipe Logix, HRC Midwest CRU Prices*

### US distributor seamless OCTG vs. scrap prices
*(Monthly Average)*



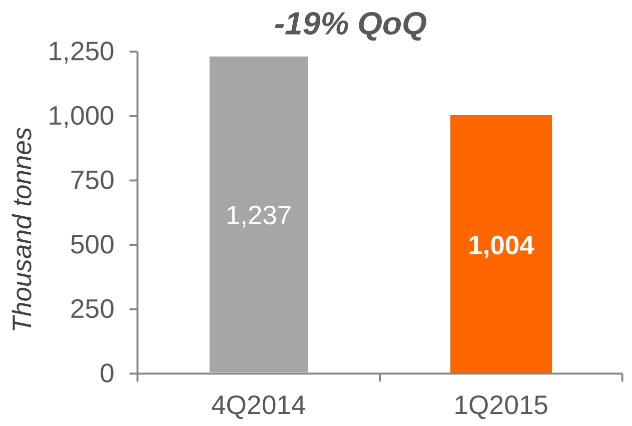

*Source: Pipel Logix, AMM*

- Although 1Q2015 average welded and seamless OCTG prices declined by 8% compared to 4Q2014, and remained nearly flat compared to 1Q2014, as of April 2015, they dropped nearly 15% compared to 1Q2015 average prices.
- 1Q2015 HRC prices are down 15% compared to the previous quarter and 18% YoY, while scrap prices for seamless pipe declined by 18% and 29% compared to the same respective periods. Since then, prices continued to decline, with April numbers showing a 15% decline in HRC prices, and scrap – a 14% decline compared to their respective 1Q2015 average prices.
- TMK expects the decline in OCTG prices to continue through 1H2015, due to weak demand as inventory levels are adjusted. Recovery in OCTG prices beyond 1H2015 will be contingent up a recovery in drilling activity.

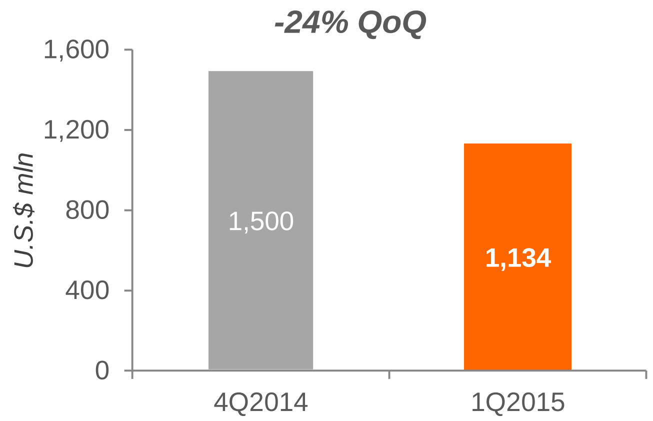
# 1Q 2015 Financial Results

# 1Q 2015 vs 4Q 2014 Summary Financial Highlights

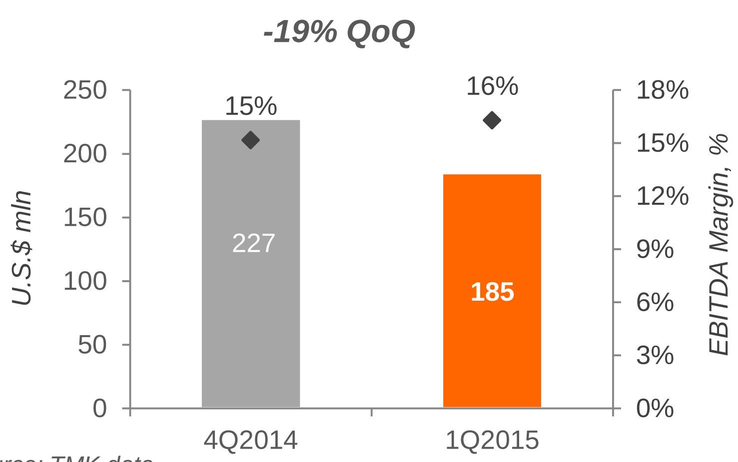
**Sales decreased QoQ mainly due to the lower volumes across all pipe segments**



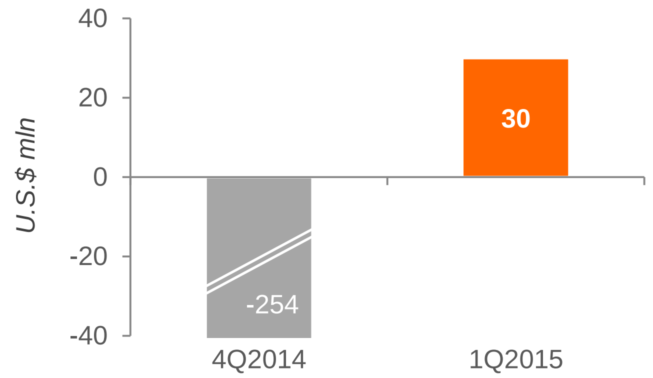

**Revenue fell QoQ as a result of lower pipe sales and a negative effect of currency translation**




**Adjusted EBITDA decreased QoQ mainly due to a negative effect of currency translation coupled with weaker sales in the Russian and American divisions**



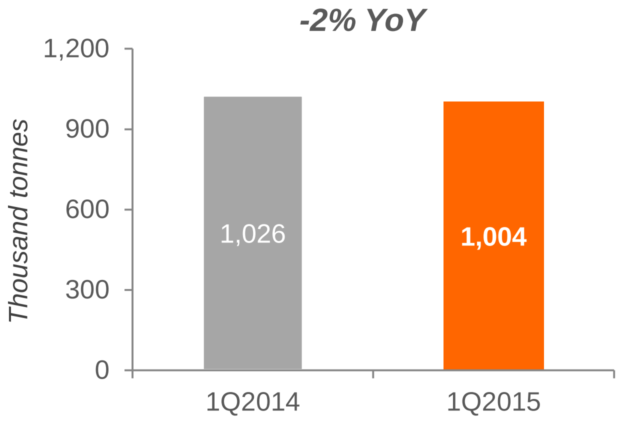

**Net profit was $30 million as compared to a net loss for 4Q2014, which had resulted mostly from a foreign exchange loss of $198 million**



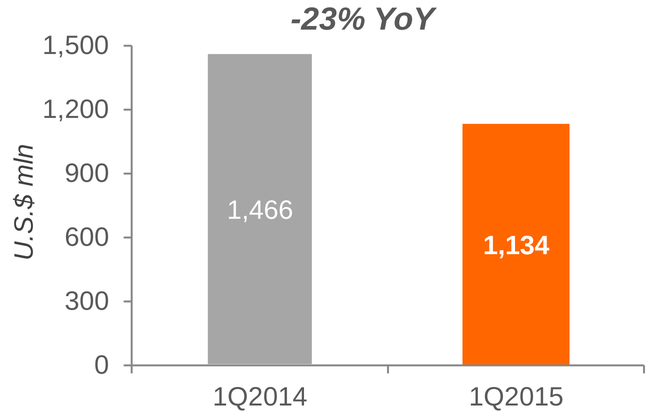

*Source: TMK data*

# 1Q 2015 vs 1Q 2014 Summary Financial Highlights

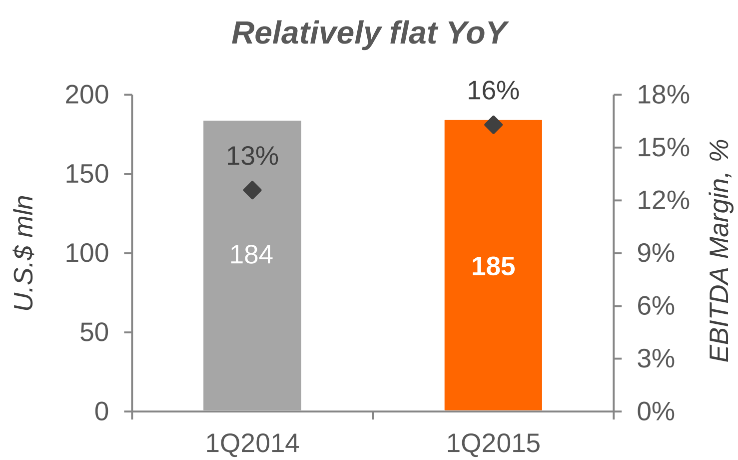
**Sales declined YoY mostly as a result of lower volumes of OCTG and industrial pipe**



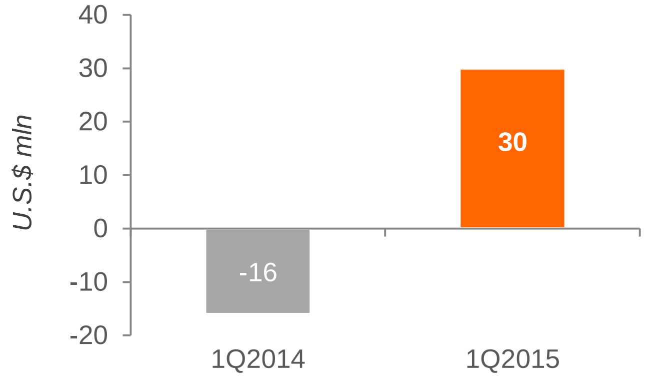

**Revenue fell YoY mainly as a result of a negative effect of currency translation**




**Adjusted EBITDA remained relatively flat YoY**



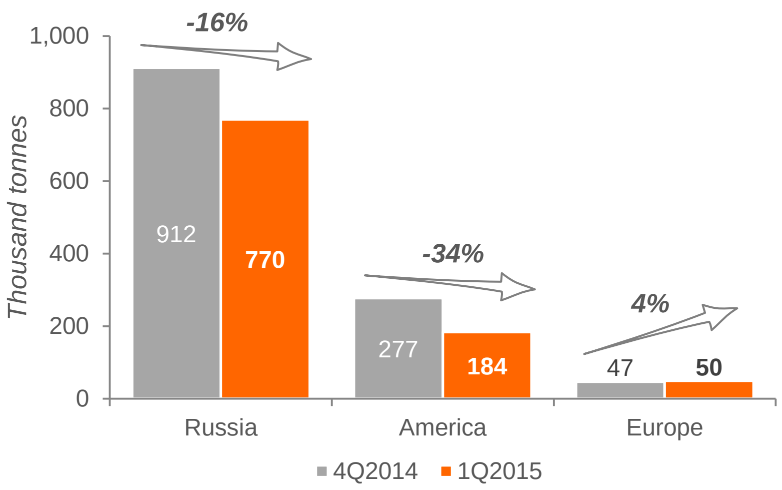

**Net profit was $30 million as compared to a net loss for 1Q 2014**




*Source: TMK data*

# 1Q 2015 vs 4Q 2014 Sales by Division and Group of Product

## Sales by Division




- Russian division sales decreased QoQ mainly due to lower industrial and line pipe volumes.
- American division sales fell QoQ due to lower OCTG and line pipe volumes.
- European division sales increased QoQ due to higher seamless industrial pipe volumes.

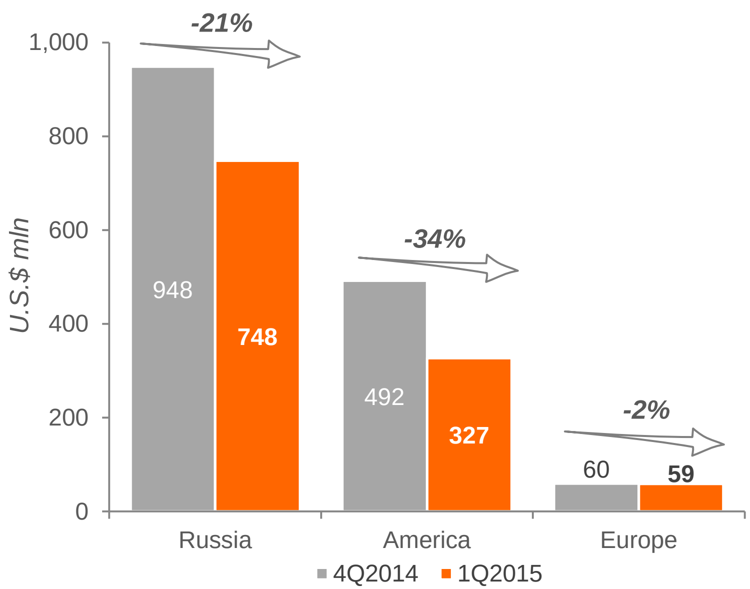
## Sales by Group of Product


- Seamless pipe sales declined QoQ mainly as a result of weaker industrial and line pipe volumes in the Russian division, as well as lower OCTG pipe sales in the American division.
- Welded pipe sales fell QoQ mostly due to lower sales of OCTG in the American division and welded industrial pipe in the Russian division.
- Total OCTG sales decreased by 17% QoQ due to lower volumes in the American division.

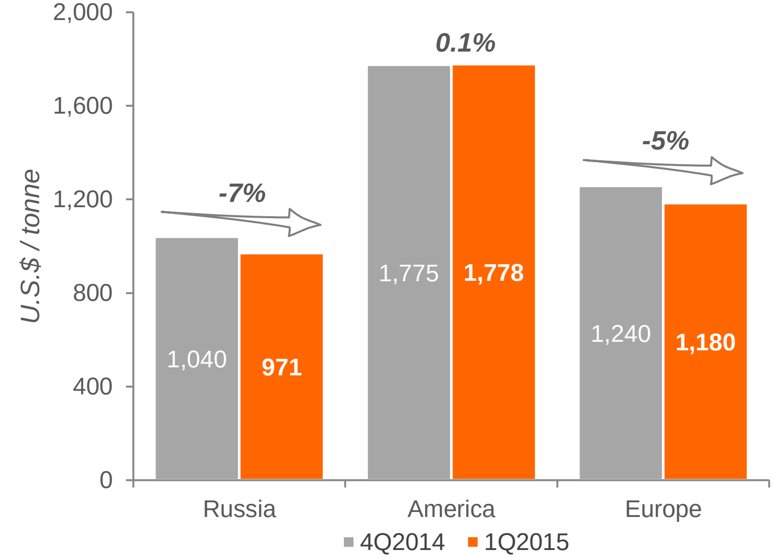
*Source: TMK data*

# 1Q 2015 vs 4Q 2014 Revenue by Division

## Revenue




## Revenue per Tonne*




** Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by (pipe+billet sales)*

- Revenue for the Russian division decreased due to a negative effect of currency translation.
- Revenue for the American division dropped mainly due to a significant decrease in volumes, particularly of OCTG pipe, on the back of lower drilling activity and reduced exploration and production spending.
- Revenue for the European division remained relatively flat as a negative effect of currency translation was offset by the growth resulting from higher sales of seamless pipe and a favorable product mix.

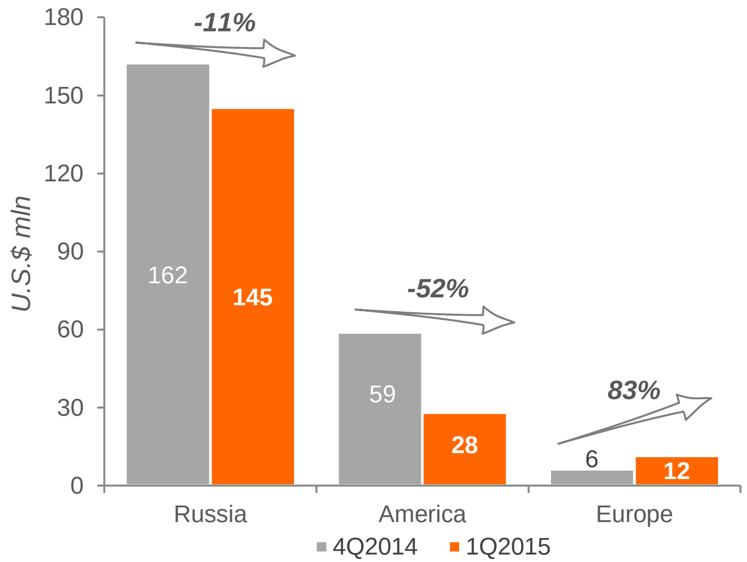
- Russian division revenue per tonne decreased QoQ due to a negative effect of currency translation, which was not offset by higher RUB prices.
- American division revenue per tonne remained relatively flat QoQ.
- European division revenue per tonne declined QoQ due to a negative effect of currency translation.

*Source: Consolidated IFRS Financial Statements, TMK data*

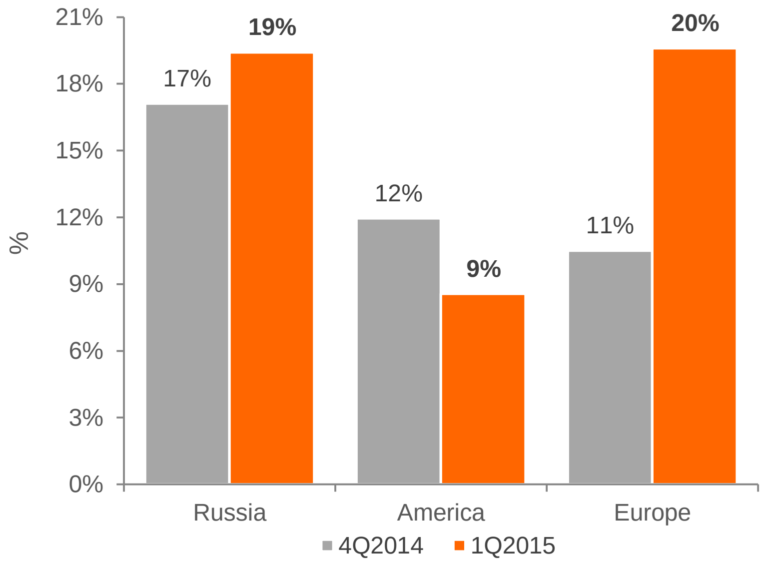
*Note:*
*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# 1Q 2015 vs 4Q 2014 Adjusted EBITDA by Division

## Adjusted EBITDA




## Adjusted EBITDA Margin




- Russian division Adjusted EBITDA fell as a growth resulting from a better pricing and product mix of welded and seamless pipe was offset by a negative effect of currency translation and lower volumes.
- American division Adjusted EBITDA dropped, affected by unfavorable market conditions, which resulted in lower volumes and weaker pricing for welded and seamless pipe.
- European division Adjusted EBITDA increased largely due to a better sales mix as a result of growing share of seamless pipe in total sales.

- Russian division Adjusted EBITDA margin increased QoQ mainly due to favorable pipe product mix and higher prices.
- American division Adjusted EBITDA margin fell due to weaker pricing for welded and seamless pipe.
- European division Adjusted EBITDA margin increased due to better product mix.

*Source: TMK Consolidated IFRS Financial Statements, TMK data*

*Note:*
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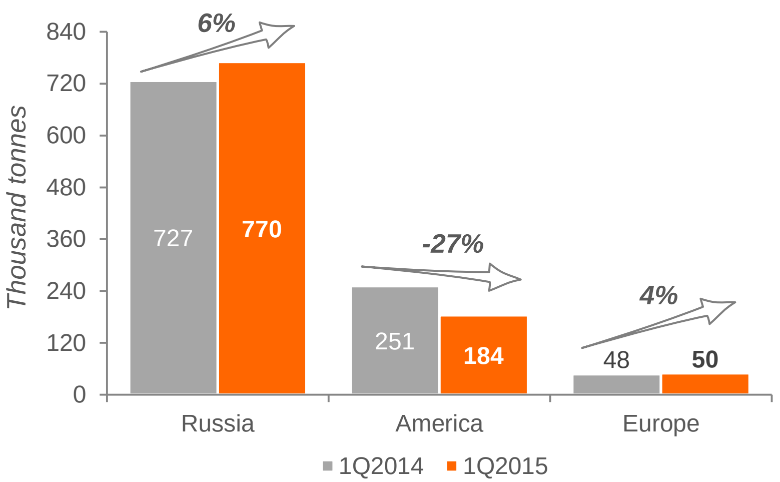
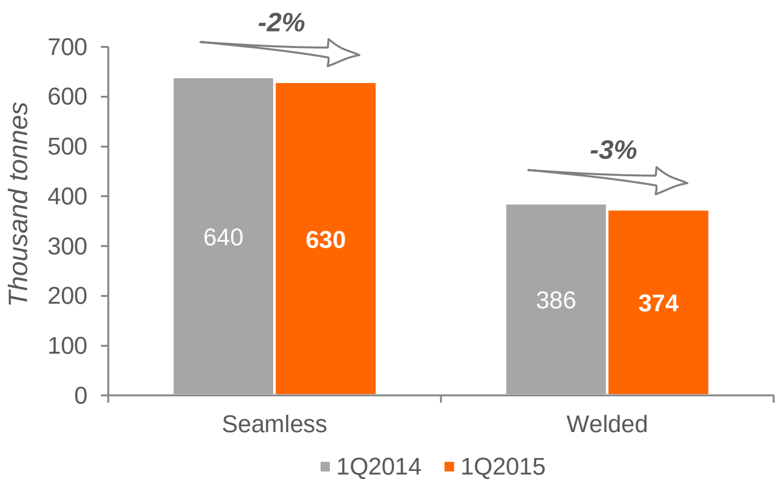
# 1Q 2015 vs 1Q 2014 Sales by Division and Group of Product

## Sales by Division




- Russian division sales increased YoY mostly due to higher LDP volumes, as well as stronger sales of seamless line pipe.
- American division sales fell YoY due to lower volumes across all pipe segments.
- European division sales grew YoY due to higher seamless industrial pipe volumes.

## Sales by Group of Product

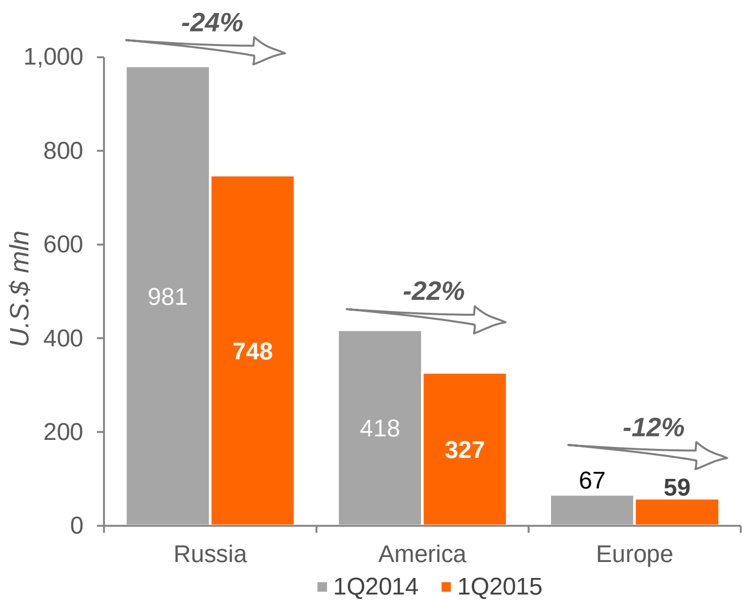



- Seamless and welded pipe sales declined YoY mostly due to lower volumes in the American division.
- Total OCTG sales fell by 13% YoY mainly due to lower volumes in the American and Russian divisions.

*Source: TMK data*

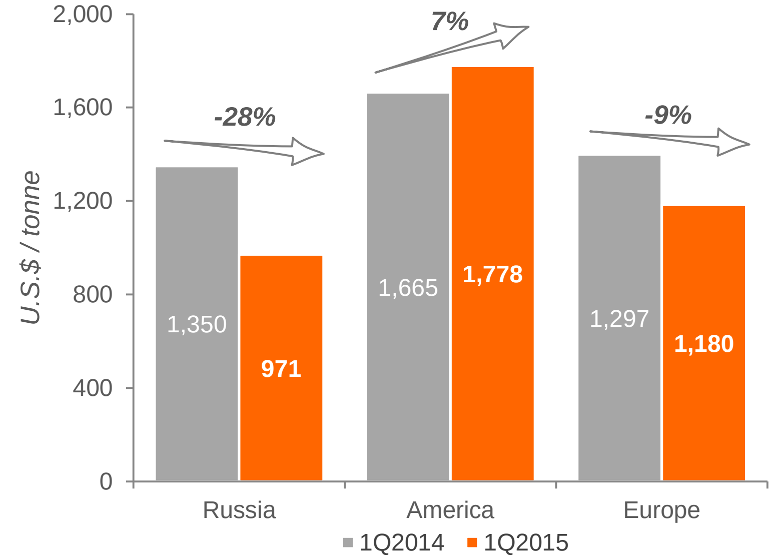
# 1Q 2015 vs 1Q 2014 Revenue by Division

## Revenue




- Revenue for the Russian division fell due to a negative effect of currency translation.
- Revenue for the American division decreased due to lower sales of seamless and welded pipe with the most significant fall in welded OCTG volumes.
- Revenue for the European division fell due to a negative effect of currency translation.

## Revenue per Tonne*




** Revenue/tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European Division is calculated as total revenue divided by (pipe+billet sales)*

- Russian division revenue per tonne decreased YoY as a result a negative effect of currency translation.
- American division revenue per tonne increased due to a better pricing and sales mix.
- European division revenue per tonne fell due to a negative effect of currency translation.

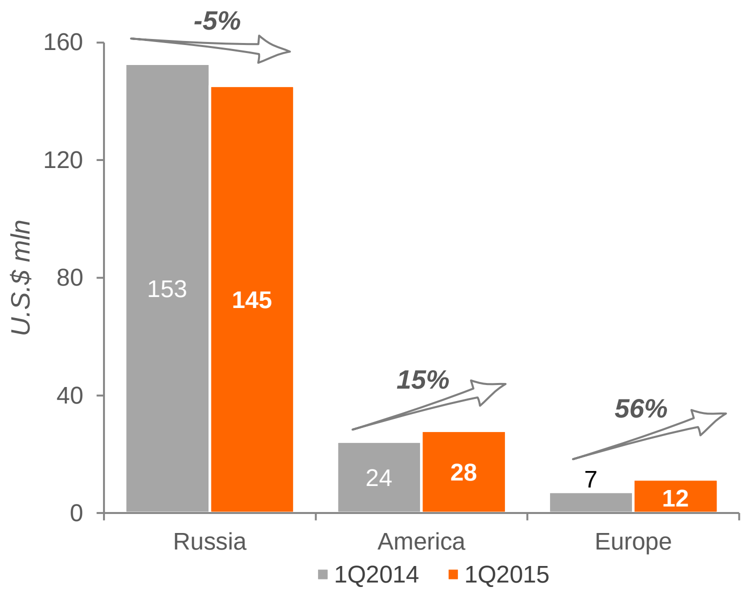
*Source: Consolidated IFRS Financial Statements, TMK data*

*Note:*

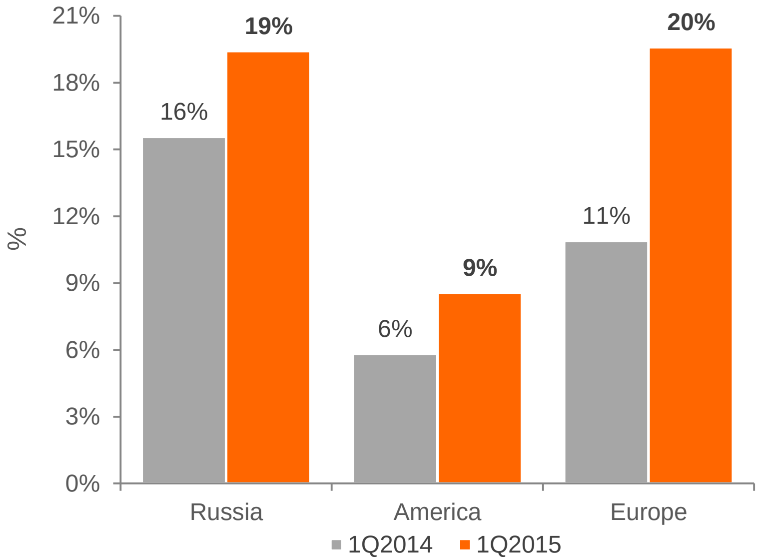
*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# 1Q 2015 vs 1Q 2014 Adjusted EBITDA by Division

## Adjusted EBITDA




## Adjusted EBITDA Margin




- Russian division Adjusted EBITDA decreased, as a growth resulting from more favorable pricing and product mix was offset by a negative effect of currency translation. The decrease was also partially offset by lower selling, general and administrative expenses.
- American division Adjusted EBITDA increased mainly due to lower selling, general and administrative expenses.
- European division Adjusted EBITDA grew due to higher seamless pipe volumes coupled with lower selling, general and administrative expenses.

- Russian division Adjusted EBITDA margin increased largely due to favorable pricing and sales mix.
- American division Adjusted EBITDA margin increased due to better pricing and sales mix.
- European division Adjusted EBITDA margin grew as a result of favorable sales mix and higher prices.

*Source: TMK Consolidated IFRS Financial Statements, TMK data*

*Note:*
*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# Strategic Overview

# Sanctions – New Opportunities Counterbalancing Threats

**Selected sanctions by EU and US:**

- Prohibited to directly or indirectly provide any **goods, service, or technology** in support of exploration or production for:
- An export license is required to export, re-export, or transfer (in-country) **OCTG or line pipe** for use in:

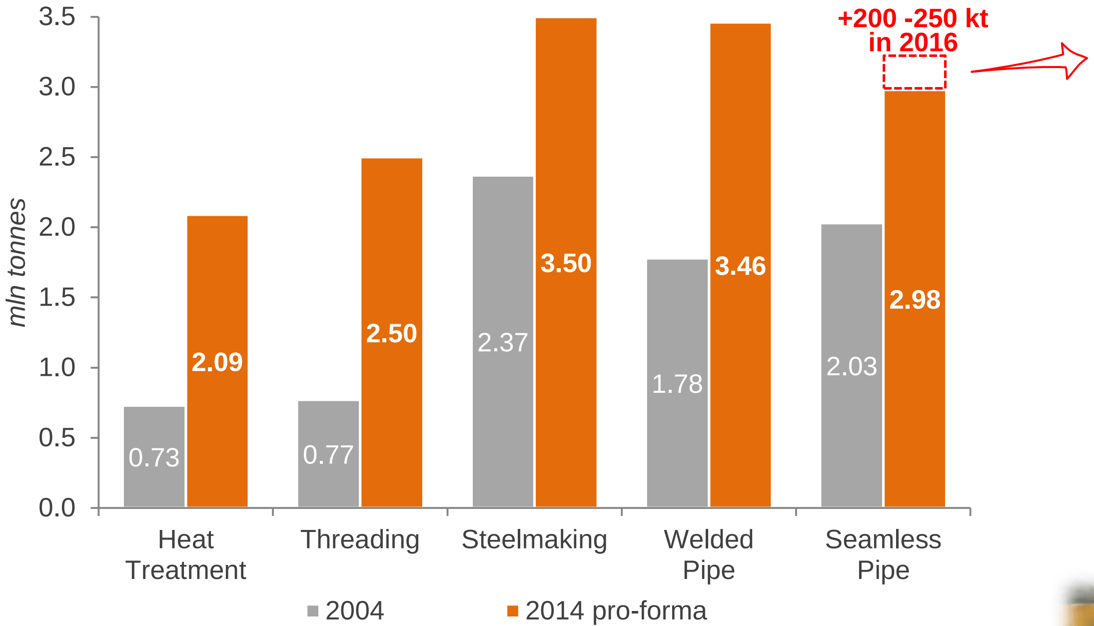
Deepwater    Arctic offshore    Shale Projects

**New opportunities for TMK:**

- Technology leadership in Russia.
- Import substitution program.
- Diverse product range supports supplies for the most severe conditions.
- Development of oilfield services.
- Start of Gazporm's Mega-Projects:
  - Power of Siberia;
  - Chayanda and Kovykta gas fields development.
- Start of the first LNG exports in the US in 2016.

# All Strategic Assets Operating

**Focus of CAPEX program has been seamless pipe and facility modernization in Russia and the US**

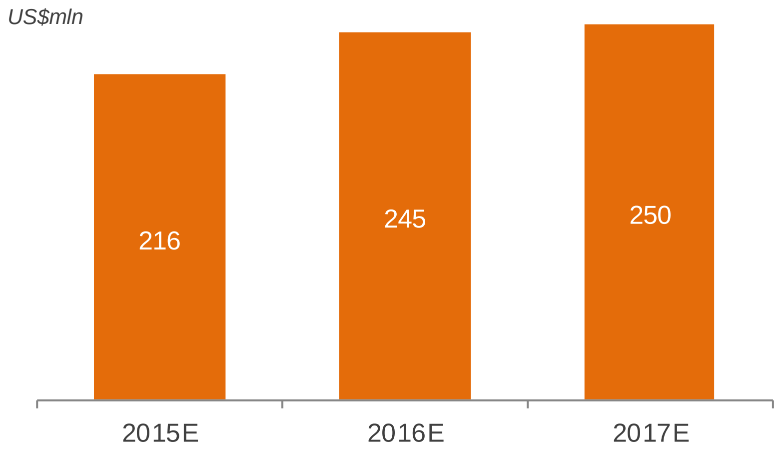



*Source: TMK data*

- New pipe rolling FQM Mill at Seversky Pipe Plant put into operation in October 2014.
- Additional 200-250 thousand tonnes of seamless pipe capacity to meet growing demand.
- Total cost of the project around US$435 mln to be fully paid by 2017.

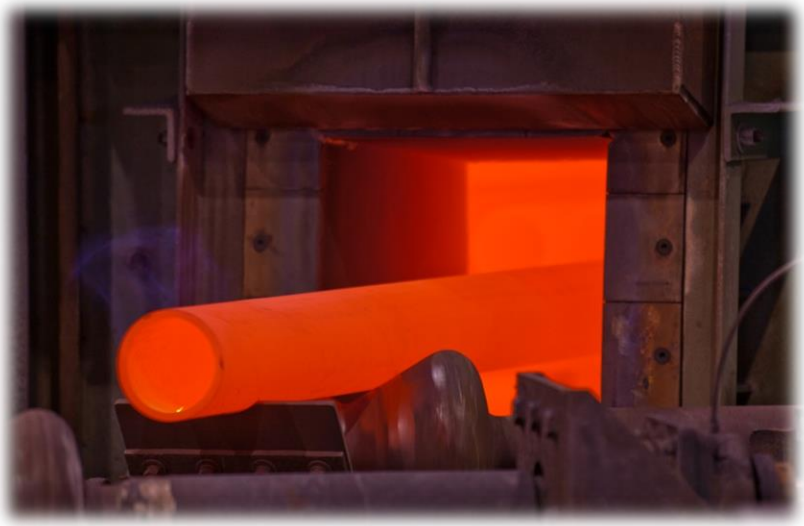
- Total strategic investment program amounted to around US$3.6 bn.
- No major acquisitions are planned.
- Further investments will be focused on additions to finishing capacities across all major regions of operations.

# Revised Capex and M&A Program



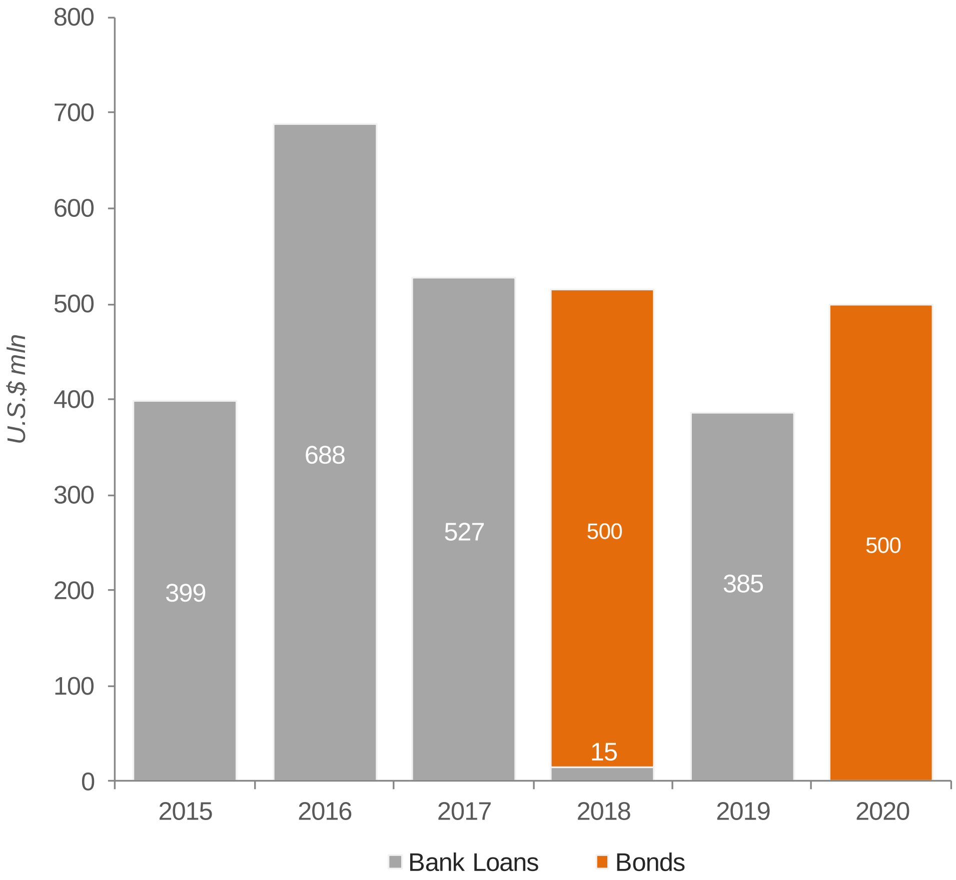

- CAPEX for 2015-2016 was cut by more than 30% and still includes some minor M&As.
- Maintenance CAPEX is around US$100-120 mln annually.
- Majority of CAPEX will be spent on finishing capacities like heat treatment and threading lines both in Russia and the US.

*Source: TMK estimates*



# Debt Maturity Extended

## Debt maturity profile as of March 31, 2015

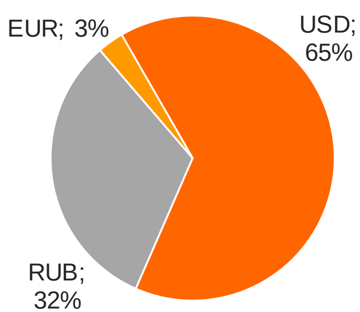



*Source: TMK Management Accounts, figures based on non-IFRS measures, estimates from TMK management*

- As of March 31, 2015, total credit portfolio amounted to US$3,013 mln based on management accounts.
- More than 75% of total bank loans are with the major Russian banks.
- Redeemed Feb 2015 Convertible Bonds using cash accumulated from operating and financial activities, including a new 4-year US$ credit line with one of the leading Russian banks.
- Weighted average interest rate 9.04%.
- Credit Ratings:
  - S&P: B+, Negative;
  - Moody's: B1, Negative.

## Debt structure

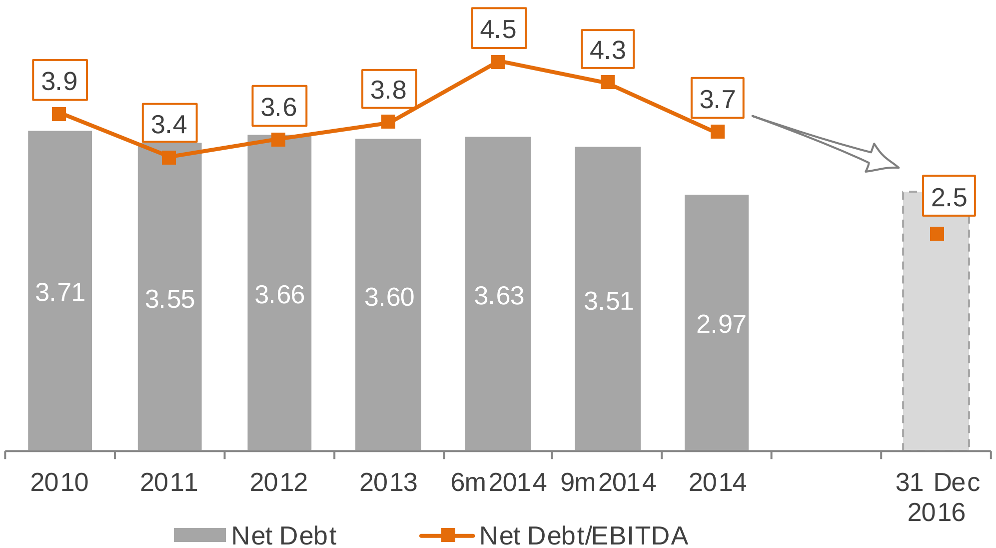
By currency as of March 31, 2015




*Source: TMK data*

# Commitment to Deleverage

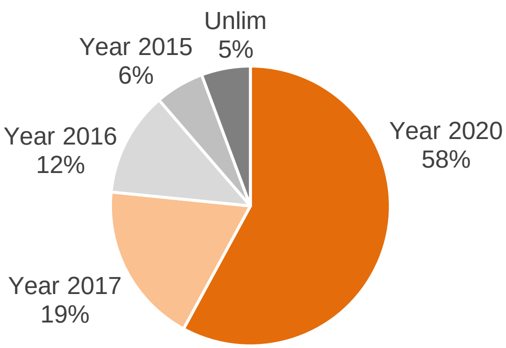
## Target to achieve 2.5x Net Debt / EBITDA by YE2016



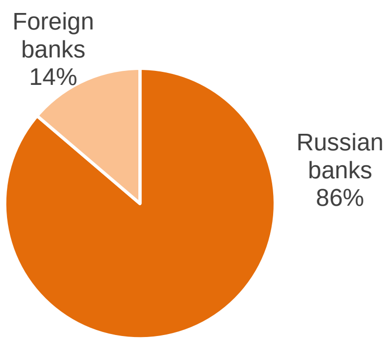

*Source: TMK estimates*

## More than US$600 mln of undrawn committed credit facilities available to cover ST Debt

Maturity Profile of Undrawn Credit Lines




Undrawn Credit Lines by Bank




*Source: TMK Management Accounts*

- Target to achieve 2.5x Net Debt-to-EBITDA ratio by the end of 2016 given possible non-organic transactions.
- Possible IPO of TMK IPSCO and limited sale of TMK shares to generate over US$500 mln cash.
- Incurrence test for 2018 and 2020 Eurobonds amounts 3.5x Debt-to-EBITDA; exceeding the covenant means incurrence of permitted indebtedness, i.e. limitations to borrow additional debt over a fixed amount of around $742 mln (at the exchange rate as of Dec 31, 2014). Compliant with a safety margin.
- Covenant on the majority of bank loans is 4.75x or 5.0x Net Debt or Total Debt-to-EBITDA.

# Key Targets and Strategy Update

| | |
|---|---|
| CAPEX | ▪ Capex investment largely completed with focus now on deleveraging.<br>▪ Possibility of limited small-sized acquisitions in upstream and downstream aiming at EBITDA growth whilst complying with deleveraging targets.<br>▪ Limited capex and M&A. |
| Deleveraging | ▪ Achieve 2.5x Net Debt / EBITDA ratio by the end of 2016 through reducing debt both from operational cash flow and by capital restructuring.<br>▪ Improve contract terms with Russian oil and gas majors and stabilize cash conversion cycle.<br>▪ Possible IPO of TMK IPSCO. |
| OFS and premium products | ▪ Develop Oil Field Services to become a “one-stop-shop” to fulfil more customers’ needs.<br>▪ Achieve more than 30% share of premium connections in total OCTG sales by 2018. |
| Strengthen positions on local markets | ▪ Strengthen relationships with strategic slients; become their key premium products provider.<br>▪ Transfer cost increases to customers and retain pricing power. |

# Appendix – Summary Financial Accounts

# Key Consolidated Financial Highlights

| *(US$mln)*[a] | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Revenue** | **6,009** | **6,432** | **6,688** |
| **Adjusted EBITDA**[b] | **804** | **952** | **1,028** |
| *Adjusted EBITDA Margin (%)* | *13%* | *15%* | *15%* |
| Profit (Loss) | (217) | 215 | 278 |
| *Net Profit Margin (%)* | *n/a* | *3%* | *4%* |
| **Pipe Sales ('000 tonnes)** | **4,402** | **4,287** | **4,238** |
| **Average Net Sales/tonne (US$)**[c] | **1,365** | **1,500** | **1,578** |
| **Cash Cost per tonne (US$)**[d] | **1,030** | **1,108** | **1,152** |
| **Cash Flow from Operating Activities** | **595** | **703** | **929** |
| **Capital Expenditure**[e] | **293** | **397** | **445** |
| **Total Debt**[f] | **3,223** | **3,694** | **3,885** |
| **Net Debt**[f] | **2,969** | **3,600** | **3,656** |
| **Short-term Debt/Total Debt** | **24%** | **11%** | **27%** |
| **Net Debt/Adjusted EBITDA** | **3.7x** | **3.8x** | **3.6x** |
| **Adjusted EBITDA/Finance Costs** | **3.5x** | **3.8x** | **3.5x** |

(a) IFRS financials figures were rounded for the presentation's purposes. Minor differences with FS may arise due to rounding
(b) Adjusted EBITDA is calculated as profit before tax plus finance costs minus finance income plus depreciation and amortisation adjusted for non-operating and non-recurrent items
(c) Sales include other operations and is calculated as Revenue divided by sales volumes tonnes
(d) Cash Cost per Tonne is calculated as Cost of Sales less Depreciation & Amortisation divided by sales volumes
(e) Purchase of PP&E investing cash flows
(f) Total debt represents interest bearing loans and borrowings plus liability under finance lease; Net debt represents Total debt less cash and cash equivalents and short-term financial investments

*Source: TMK Consolidated IFRS Financial Statements*

# Income Statement

| US$ mln | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Revenue** | **6,009** | **6,432** | **6,688** | **6,754** | **5,579** |
| Cost of Sales | (4,839) | (5,074) | (5,209) | (5,307) | (4,285) |
| **Gross Profit** | **1,169** | **1,358** | **1,479** | **1,446** | **1,293** |
| Selling and Distribution Expenses | (350) | (379) | (433) | (411) | (403) |
| General and Administrative Expenses | (278) | (317) | (293) | (283) | (232) |
| Advertising and Promotion Expenses | (14) | (12) | (11) | (9) | (11) |
| Research and Development Expenses | (15) | (13) | (17) | (19) | (13) |
| Other Operating Expenses, Net | (35) | (34) | (57) | (40) | (34) |
| Foreign Exchange Gain / (Loss), Net | (301) | (49) | 23 | (1) | 10 |
| Finance Costs, Net | (226) | (245) | (275) | (271) | (412) |
| Other | (150) | 5 | (16) | 132 | (12) |
| **Income / (Loss) before Tax** | **(201)** | **312** | **400** | **544** | **185** |
| Income Tax (Expense) / Benefit | (15) | (98) | (123) | (159) | (81) |
| **Net Income / (Loss)** | **(217)** | **215** | **278** | **385** | **104** |

*Source: Consolidated IFRS Financial Statements*

*Note:*
*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# Statement of Financial Position

| US$ mln | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Bank Deposits | 253 | 93 | 225 | 231 | 158 |
| Accounts Receivable | 728 | 995 | 914 | 772 | 720 |
| Inventories | 1,047 | 1,324 | 1,346 | 1,418 | 1,208 |
| Prepayments | 113 | 148 | 180 | 200 | 172 |
| Other Financial Assets | 1 | 0 | 4 | 4 | 4 |
| **Total Current Assets** | **2,142** | **2,561** | **2,670** | **2,625** | **2,262** |
| Assets Classified as Held for Sale | | | | - | 8 |
| **Total Non-current Assets** | **3,508** | **4,857** | **4,934** | **4,507** | **4,592** |
| **Total Assets** | **5,649** | **7,419** | **7,603** | **7,132** | **6,862** |
| **LIABILITIES AND EQUITY** | | | | | |
| Accounts Payable | 829 | 1,105 | 1,132 | 1,053 | 878 |
| ST Debt | 764 | 398 | 1,068 | 599 | 702 |
| Dividends | 2 | 6 | - | - | - |
| Other Liabilities | 48 | 62 | 74 | 53 | 94 |
| **Total Current Liabilities** | **1,643** | **1,571** | **2,275** | **1,705** | **1,674** |
| LT Debt | 2,459 | 3,296 | 2,817 | 3,188 | 3,170 |
| Deferred Tax Liability | 206 | 298 | 302 | 305 | 300 |
| Other Liabilities | 71 | 125 | 125 | 111 | 111 |
| **Total Non-current Liabilities** | **2,735** | **3,718** | **3,244** | **3,603** | **3,581** |
| **Equity** | **1,271** | **2,130** | **2,084** | **1,823** | **1,606** |
| *Including Non-Controlling Interest* | *66* | *96* | *99* | *92* | *94* |
| **Total Liabilities and Equity** | **5,649** | **7,419** | **7,603** | **7,132** | **6,862** |
| Net Debt | 2,969 | 3,600 | 3,656 | 3,552 | 3,710 |

*Source: Consolidated IFRS Financial Statements*

*Note:*

*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# Cash Flow

| *US$ mln* | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Profit / (Loss) before Income Tax** | **(201)** | **312** | **400** | **544** | **185** |
| *Adjustments for:* | | | | | |
| Depreciation and Amortisation | 304 | 326 | 326 | 336 | 301 |
| Net Interest Expense | 226 | 245 | 275 | 271 | 412 |
| Others | 479 | 61 | 39 | (101) | 44 |
| Working Capital Changes | (159) | (159) | (34) | (156) | (527) |
| **Cash Generated from Operations** | **648** | **786** | **1,006** | **894** | **415** |
| Income Tax Paid | (53) | (82) | (77) | (107) | (29) |
| **Net Cash from Operating Activities** | **595** | **703** | **929** | **787** | **386** |
| Capex | (293) | (397) | (445) | (402) | (314) |
| Acquisitions | (60) | (38) | (33) | - | - |
| Others | 10 | 12 | 23 | 25 | 43 |
| **Net Cash Used in Investing Activities** | **(343)** | **(423)** | **(455)** | **(377)** | **(271)** |
| Net Change in Borrowings | 154 | (93) | (148) | 4 | 103 |
| Others | (206) | (313) | (341) | (339) | (289) |
| **Net Cash Used in Financing Activities** | **(53)** | **(407)** | **(489)** | **(335)** | **(186)** |
| Net Foreign Exchange Difference | (40) | (5) | 10 | (2) | (15) |
| Cash and Cash Equivalents at January 1 | 93 | 225 | 231 | 158 | 244 |
| **Cash and Cash Equivalents at YE** | **253** | **93** | **225** | **231** | **158** |

*Source: Consolidated IFRS Financial Statements*

*Note:*
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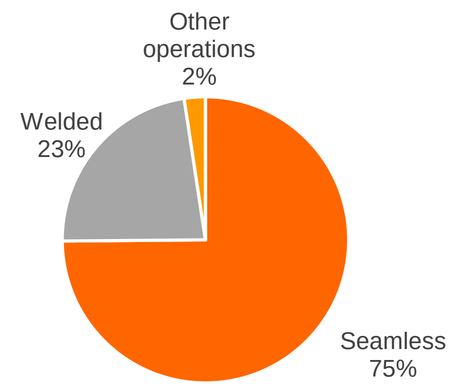
# Seamless – Core to Profitability

| | **U.S.$ mln** *(unless stated otherwise)* | **1Q 2015** | **QoQ, %** | **YoY, %** |
|---|---|---|---|---|
| **SEAMLESS** | Volumes- Pipe, kt | **630** | *-10%* | *-2%* |
| | **Revenue** | **697** | *-21%* | *-29%* |
| | Gross Profit | **189** | *-7%* | *-20%* |
| | *Margin, %* | *27%* | | |
| | Avg Revenue / Tonne (U.S.$) | 1,107 | *-12%* | *-28%* |
| | Avg Gross Profit / Tonne (U.S.$) | 300 | *3%* | *-19%* |
| **WELDED** | Volumes- Pipe, kt | **374** | *-30%* | *-3%* |
| | **Revenue** | **384** | *-32%* | *-9%* |
| | Gross Profit | **57** | *-43%* | *48%* |
| | *Margin, %* | *15%* | | |
| | Avg Revenue / Tonne (U.S.$) | 1,027 | *-3%* | *-7%* |
| | Avg Gross Profit / Tonne (U.S.$) | 153 | *-19%* | *53%* |

*Source: Consolidated IFRS Financial Statements, TMK data*

**1Q 2015 Gross Profit Breakdown**



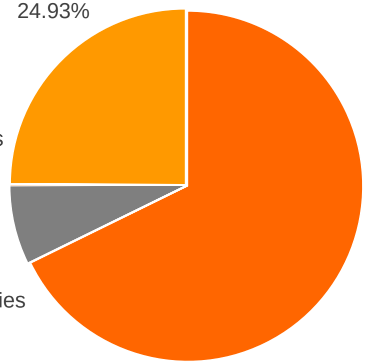

- Sales of seamless pipe generated **61%** of total Revenue in 1Q 2015.
- Gross Profit from seamless pipe sales represented **75%** of 1Q 2015 total Gross Profit.
- Gross Profit Margin from seamless pipe sales amounted to **27%** in 1Q 2015.

*Note:*
*Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.*

# Appendix – Capital Structure and Corporate Governance

# Capital Structure

## Capital structure as of February 12, 2015




*The main beneficiary is Dmitry Pumpyanskiy, Chairman of the Board of Directors of TMK.

**TMK Bonds S.A. owns 17,876,489 GDRs of TMK, representing 71,505,956 TMK shares, or 7.21% of the share capital, securing obligations to convert into GDR US$ 412.5 million bonds issued by TMK Bonds S.A. in February 2010 and maturing in 2015. On February 11, 2015 the bonds were fully redeemed.

*Source: TMK*

## Key considerations

- TMK's securities are listed on the London Stock Exchange, the OTCQX International Premier trading platform in the U.S. and on Russia's major stock exchange – MICEX-RTS.
- As of 12 February 2015, 24.93% of TMK shares were in free float, with approximately 70% of them traded in the form of GDRs on the London Stock Exchange.
- As of 12 February 2015, the share capital of TMK was comprised of 991,907,260 fully paid ordinary shares or equivalent of 247,976,815 GDRs.
- One GDR represents four ordinary shares.

# TMK Corporate Governance

## Key considerations

- The Board of Directors is comprised of 11 members, including 5 independent directors, 4 non-executive directors and 2 executive directors.
- The Board of Directors has 3 standing committees, chairman of each committee is an independent director:
  - Audit Committee;
  - Nomination and Remuneration Committee;
  - Strategy Committee.
- TMK's day-to-day operations are managed by the CEO and the Management Board which consists of eight members.
- The Company has an integrated system of internal controls which provides assurance as to the efficiency and management of risks of operations.

**DMITRY PUMPYANSKIY, Chairman of the Board of Directors, non-executive director.**
Born in 1964. Graduated from the Sergey Kirov Urals Polytechnic Institute in 1986. PhD in Technical Sciences, Doctor of Economics. Founder and beneficial majority shareholder of TMK
**Relevant experience**: Chairman of the Supervisory Board of Russian Agricultural Bank, Member of the Board of Directors at Rosagroleasing and SKB-Bank, President and Chairman of the Board of Directors of Sinara Group,, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, CEO at TMK, CEO at Sinara Group, Board member at various industrial and financial companies

**MIKHAIL ALEKSEEV, Independent director, Chairman of the Nomination and Remuneration Committee.**
Born in 1964. Graduated from the Moscow Finance Institute in 1986. Doctor of Economics.
**Relevant experience**: Chairman of the Management Board of UniCredit Bank, Chairman of the Board and President of "Rossiysky Promyishlenny Bank" (Rosprombank), Senior Vice President and Deputy Chairman of the Management Board of Rosbank, Deputy Chairman of the Management Board of ONEXIM Bank, Deputy Head of the General Directorate of the Ministry of Finance of the USSR.

**PETER O'BRIEN, Independent director, Chairman of the Audit Committee.**
Born in 1969. Graduated from Duke University (USA) in 1991 and obtained an MBA from Columbia University Business School in 2000 and completed the AMP at Harvard Business School in 2011.
**Relevant experience**: Member of the Management Board, Vice President, Head of the Group of Financial Advisors to the President of Rosneft, Co-Head of Investment Banking, Executive Director of Morgan Stanley in Russia, Vice President at Troika Dialog Investment Company, Press Officer at the US Treasury.

**ALEKSANDER SHOKHIN, Independent director, Chairman of the Strategy Committee.**
Born in 1951. Graduated from the Lomonosov Moscow State University in 1974. PhD, Doctor of Science, Professor.
**Relevant experience**: President of the Russian Union of Industrialists and Entrepreneurs, President of the Higher School of Economics State University, Board member at Lukoil, Russian Railways, member of the Public Chamber of the Russian Federation, member of the State Duma, Minister of Labour and Employment and Minister of Economic Affairs, Head of the Russian Agency for International Cooperation and Development, twice appointed as Deputy Head of the Russian Government, Russia's representative to IMF and World Bank.

**OLEG SCHEGOLEV, Independent director, member of the Strategy Committee.**
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, Deputy Head of the Department for Longterm Planning of the Fuel and Energy Complex at the Ministry of Energy of the Russian Federation, chief officer, deputy director, department head at Sibneft.

**ROBERT MARK FORESMAN, Independent director, 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 & Sciences in 1993. Obtained a certificate from the Moscow Power Engineering Institute in 1989.
**Relevant experience**: Head of Barclays Capital in Russia, Deputy Chairman of the Management Board at Renaissance Capital, Chairman of the Management Committee for Russia and CIS at Dresdner Kleinwort Wasserstein, Head of Investment Banking for Russia and CIS at ING Barings.

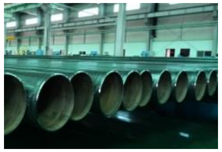
# Appendix – TMK Products

# Wide Range of Products, Focus on Oil and Gas

## Seamless

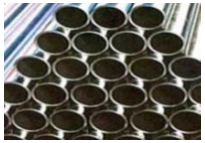
Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.

**OCTG**



The short-distance transportation of crude oil, oil products and natural gas.

**Line Pipe**



Automotive, machine building, and power generation sectors.

**Industrial**

## Welded

Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.

**OCTG**

The short-distance transportation of crude oil, oil products and natural gas.

**Line Pipe**

Construction of trunk pipeline systems for the long distance transportation of natural gas, crude oil and petroleum products.

**Large-Diameter**

Wide array of applications and industries, including utilities and agriculture.

**Industrial**

## Premium

Premium connections are proprietary value-added products used to connect OCTG pipes and are used in sour, deep well, off-shore, low temperature and other high-pressure applications.

**Premium Connections (TMK UP)**

## Oilfield Services

Well equipment precision manufacturing, tools’ rental, supervising, inventory management, threading and coating services.

# Premium Solutions: TMK UP

ULTRA-SF 2003 | ULTRA-FJ 2003 | ULTRA-FX 2003 | ULTRA CX 2008 | ULTRA QX 2009 | ULTRA DQX 2011

Cal IV | Cal IV | Cal II | | Cal IV | Cal II

**TMK Ultra Premium Connections**

**Global Supplies & Services**

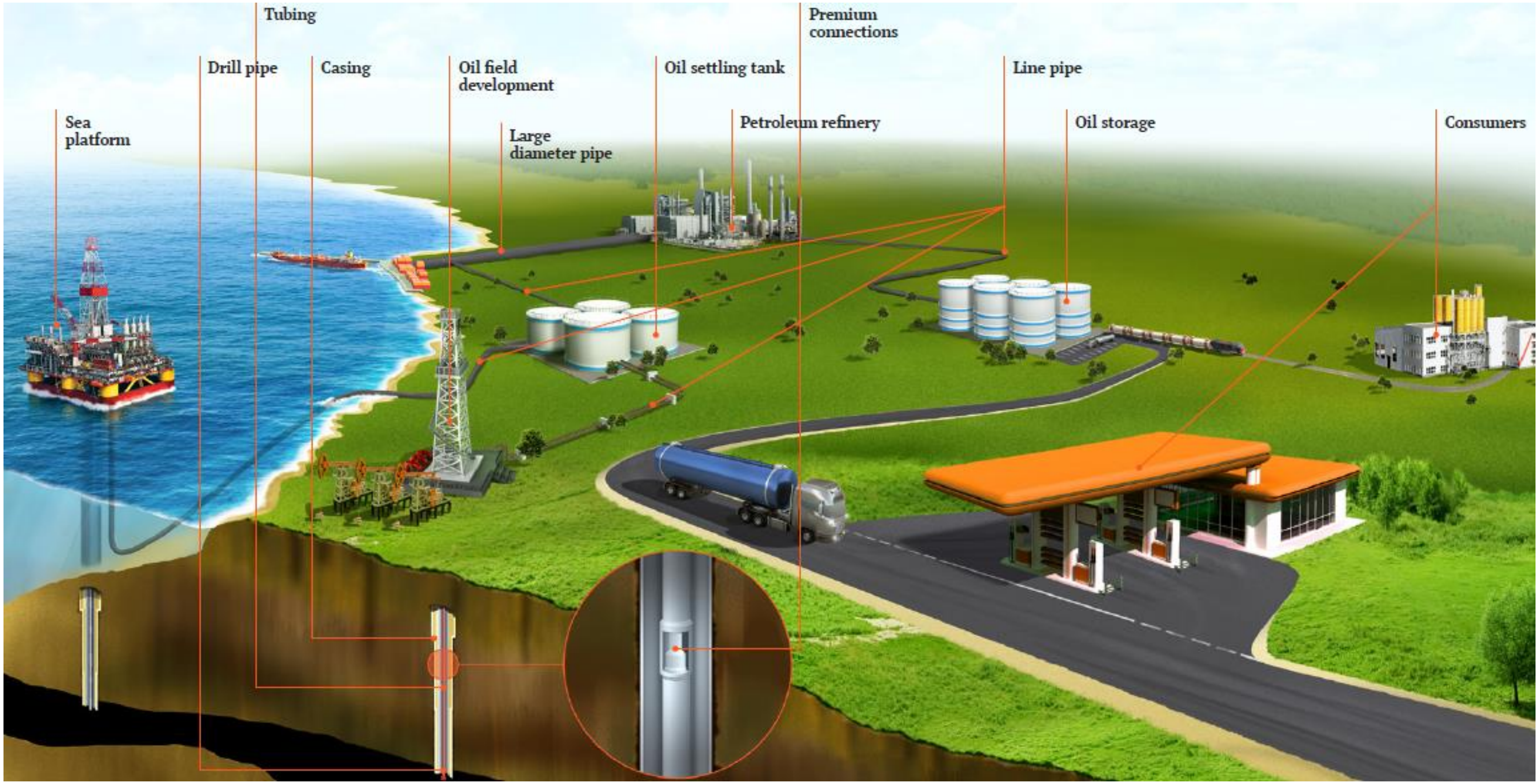
- Unique range of Premium products
  - Onshore/offshore
  - Sour gas
  - Thermal
  - Arctic
  - Horizontal and extended reach
  - Drilling with casing
  - Steam-Assisted Gravity Drainage (SAGD)
  - Connections are available with «Greenwell» environment friendly technology

TMK 1 2004 | TMK FMC 2005 | TMK CS 2005 | TMK TTL 01 2005 | TMK GF 2005 | TMK PF 2007 | TMK FMT 2008 | TMK PF ET 2008 | TMK TDS 2010 | TMK CWB 2011 | TMK PF Tubing 2012 | Greenwell 2013

Cal II (TMK FMC) | Cal IV (TMK PF) | Cal II (TMK FMT) | Cal IV (TMK PF ET) | Cal IV (TMK PF Tubing)

- Implementation of new technologies and services according to regional conditions
- US expertise gives significant growth opportunities in Russia

# Utilisation of TMK Pipe Products in Oil and Gas Industry




- **OCTG** – Oil Country Tubular Goods (drilling, casing, tubing) used for oil & gas exploration, well fixing and oil & gas production (44% of total sales volumes in 2014);
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas (23% of total sales volumes in 2014);
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products (11% in total sales volumes in 2014).

# Thank You

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