



# **TMK IR PRESENTATION**

August 2016

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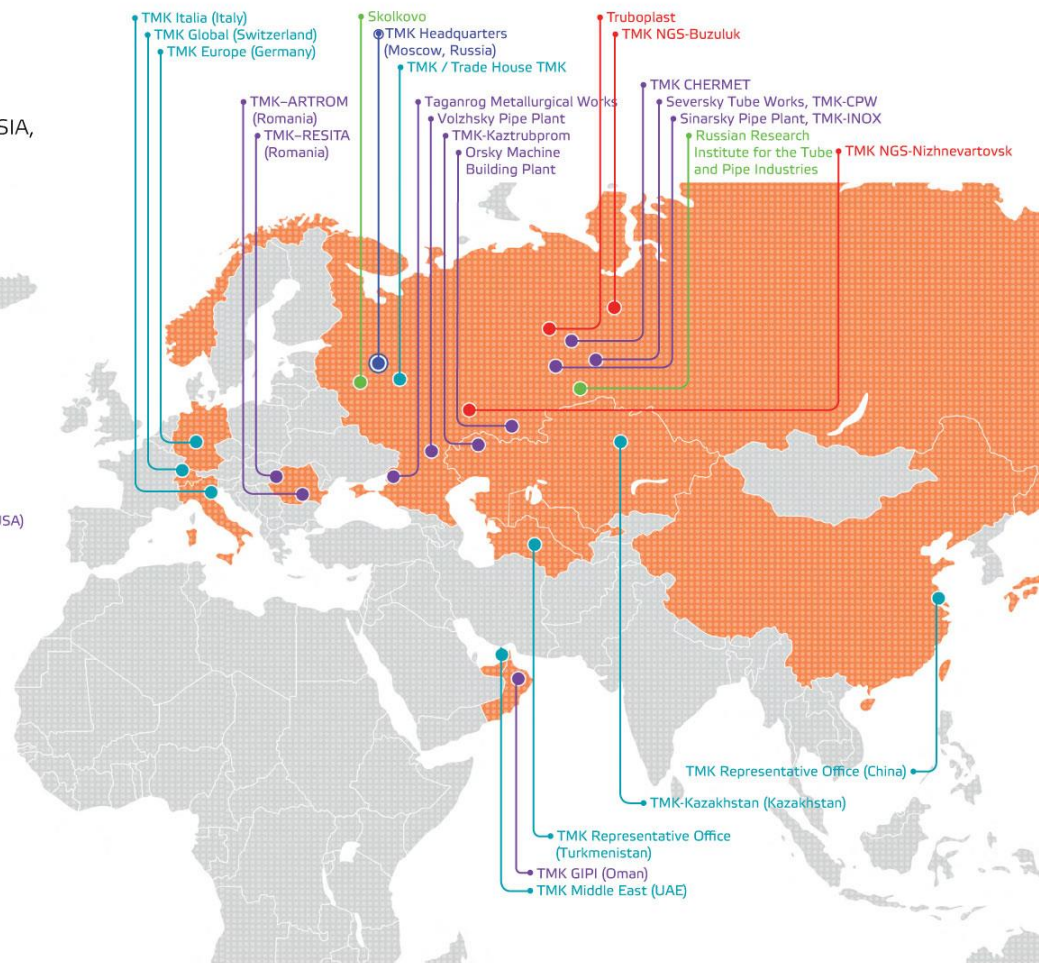
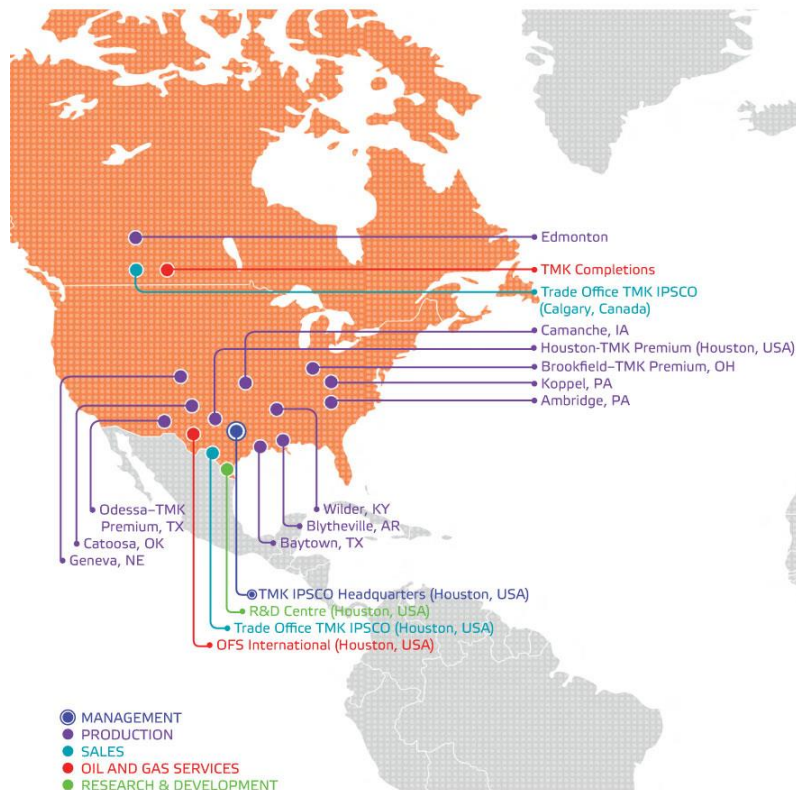
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# TMK– Global Supplier of Full Range of Pipes for Oil and Gas Industry



## ASSET STRUCTURE AND GEOGRAPHY

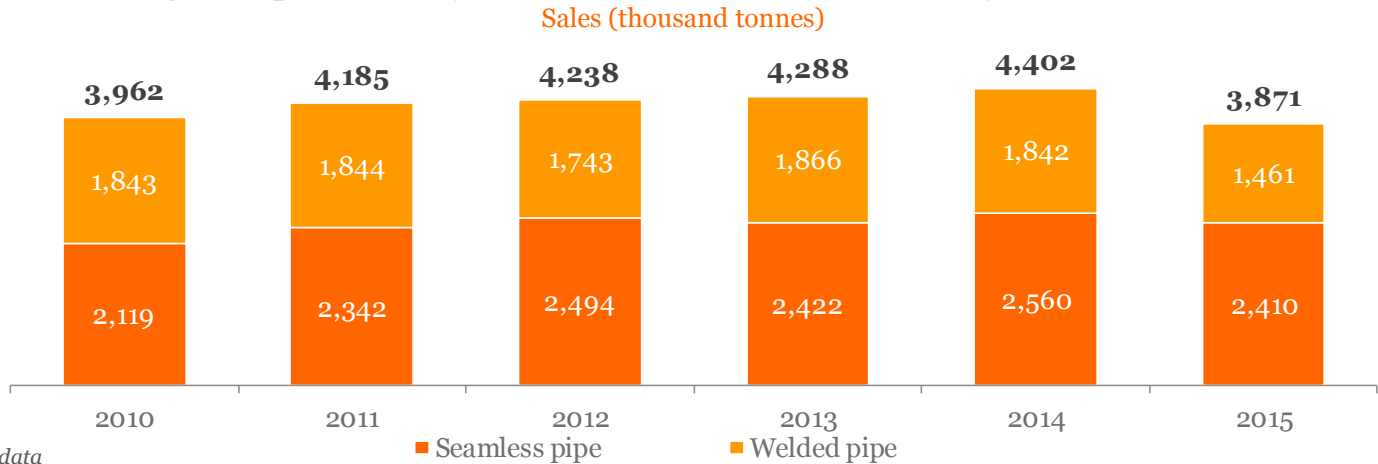
THE COMPANY OPERATES MORE THAN 30 PRODUCTION SITES IN RUSSIA, THE UNITED STATES, CANADA, OMAN, ROMANIA AND KAZAKHSTAN



Capacity in ktonnes	Russia and CIS	Europe	North America	Total
Steelmaking	2,850	450	450	3,750
Seamless Pipe	2,459	220	360	3,039
Welded Pipe	2,095	-	1,045	3,140
Heat treat	1,530	90	608	2,228
Threading	1,243	-	1,085	2,328

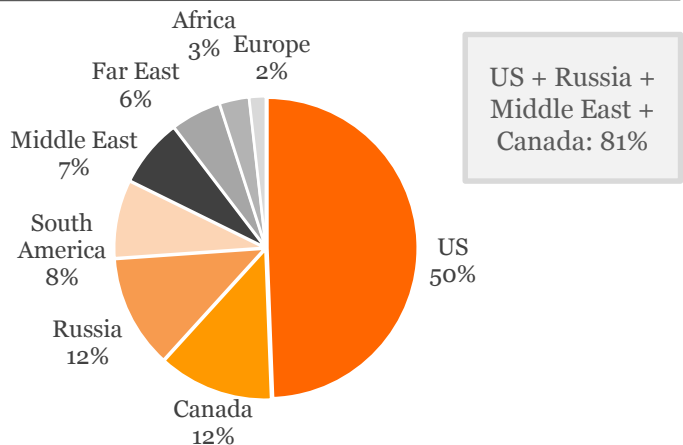
# Leading Global Supplier of Pipe for Oil and Gas Industry

- A world leading tube producer by sales in 2015 and for the last 6 years



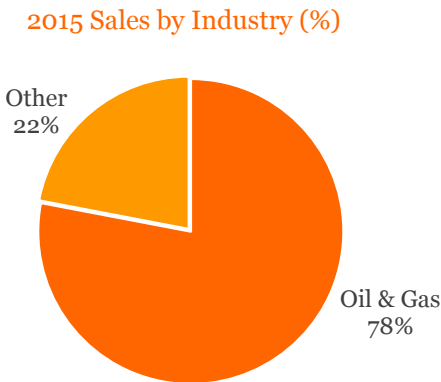
- Local producer in countries which account for 81% of global drilling activity
- High exposure to the oil and gas industry: approximately 78% of sales went to the oil and gas sector in 2015

## 2015 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



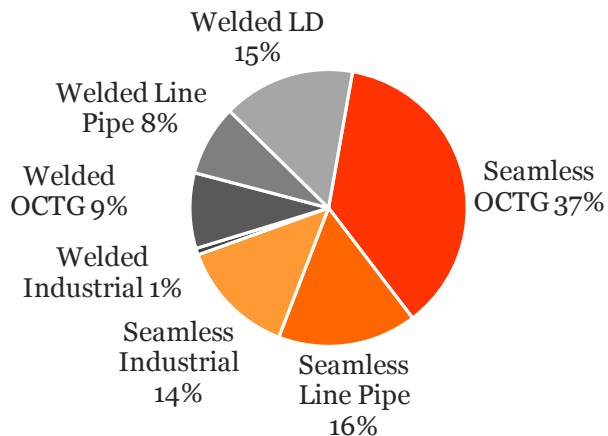
Source: TMK data

# Diversified Business Model



## Diversified product portfolio and customer base

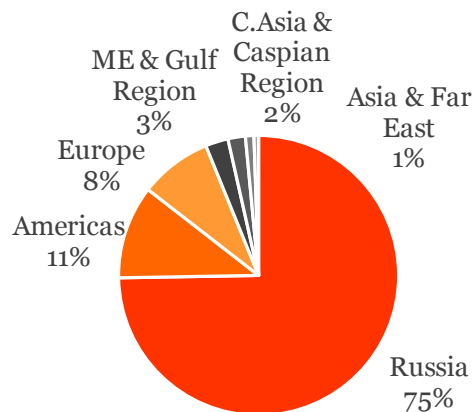
Sales by product (1H 2016)



Source: TMK data

## Diversified geographical reach

TMK revenues by country (1H 2016)



Source: TMK data

## Key Considerations

- High degree of diversification ensuring earnings resilience.
- Geographical diversification seeking to mitigate swings in geographical demand.
- 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.
- Long-term relationships with Russian oil and gas majors (Rosneft, Gazprom, Surgutneftgas and Lukoil).



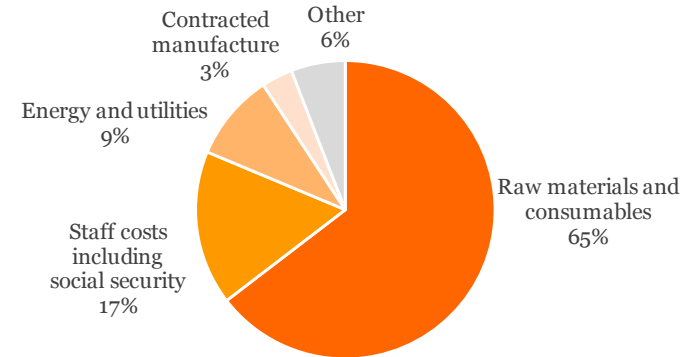
# Low Cost Vertically Integrated Producer

## 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.
- Ability to generally pass increased cost of steel 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 scrap requirements.

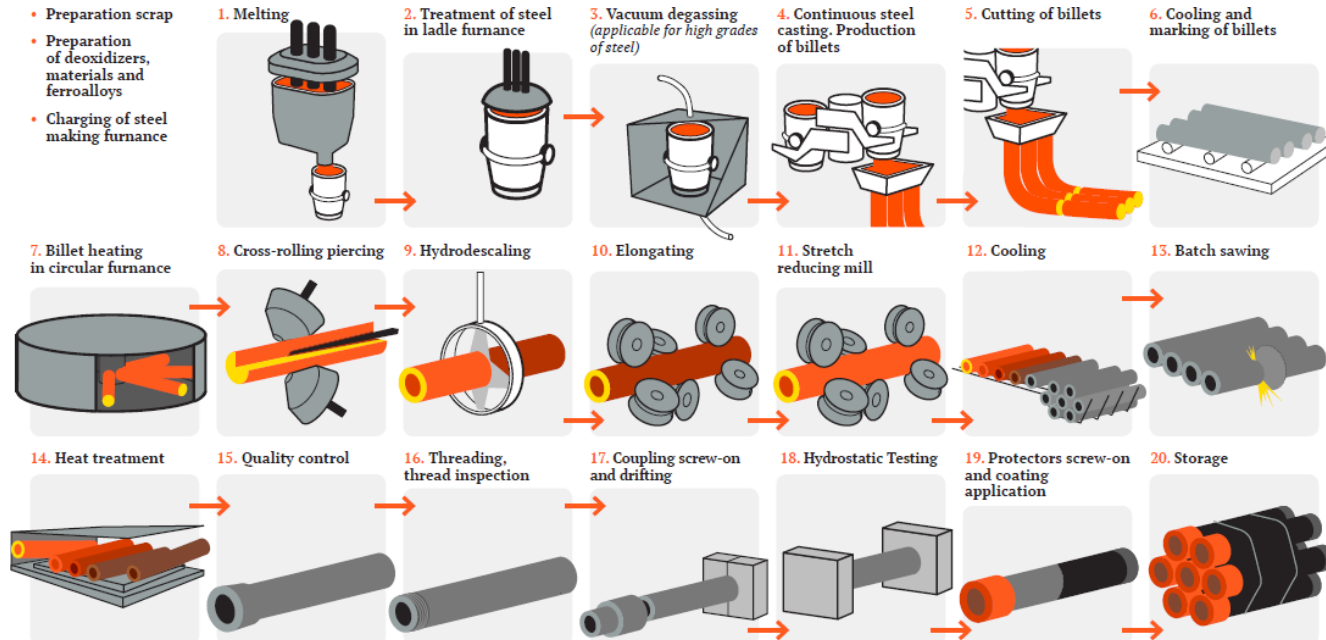
## Raw materials costs can generally be passed through to customers

Cost of sales structure (1H 2016)



Note: Excluding depreciation and amortisation  
Source: TMK IFRS accounts

## Vertical integration in seamless business



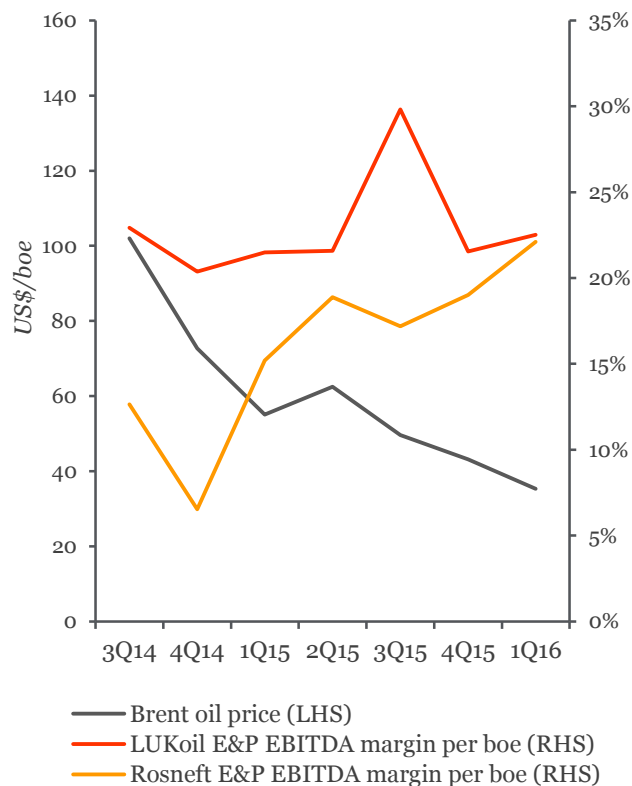
Source: TMK

# Russian Market Overview

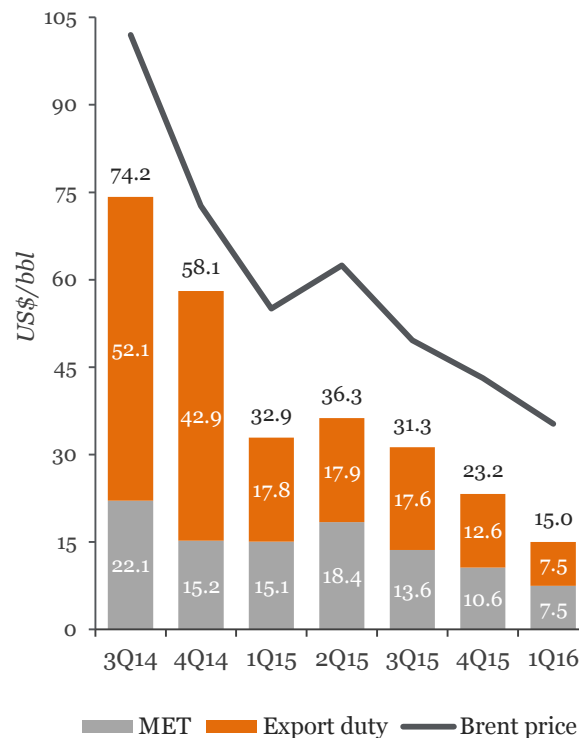
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# Russian Upstream Oil Sector Remains Profitable...

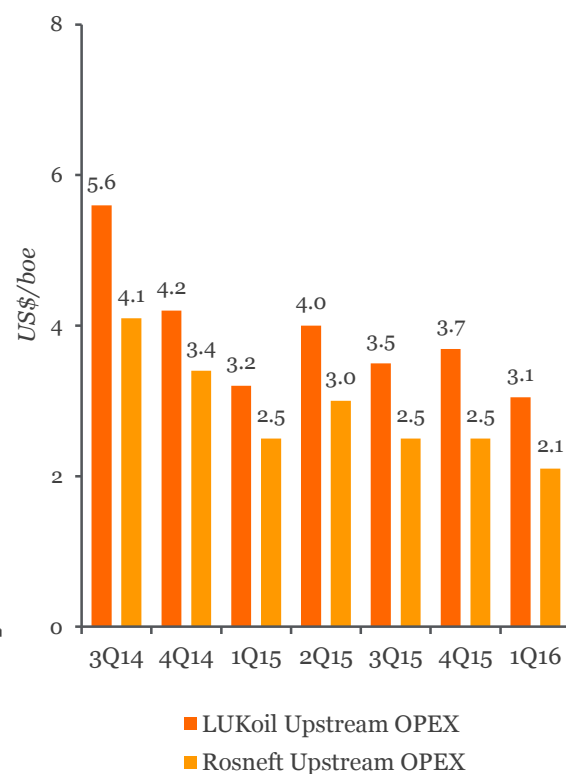
## Russian upstream EBITDA resilience...



## ...is supported by flexible fiscal regime...



## ...and by Rouble denominated OPEX



Source: Rosneft and LUKoil public disclosure

Note: LUKoil numbers include overseas operations, which contribute c.20% of production. LUKoil EBITDA for upstream segment for 1Q14-3Q15 calculated from Financial Statements of E&P operating segment as per the formula:  $EBITDA = Net\ Income + Income\ Tax + Interest\ Expense + DD\ \&\ A$ , for 4Q15 and 1Q16 calculated as per IFRS statements EBITDA for FY15 and 1Q16 respectively. EBITDA margin per boe is calculated as  $EBITDA\ per\ boe / Brent\ Oil\ price\ per\ bbl$

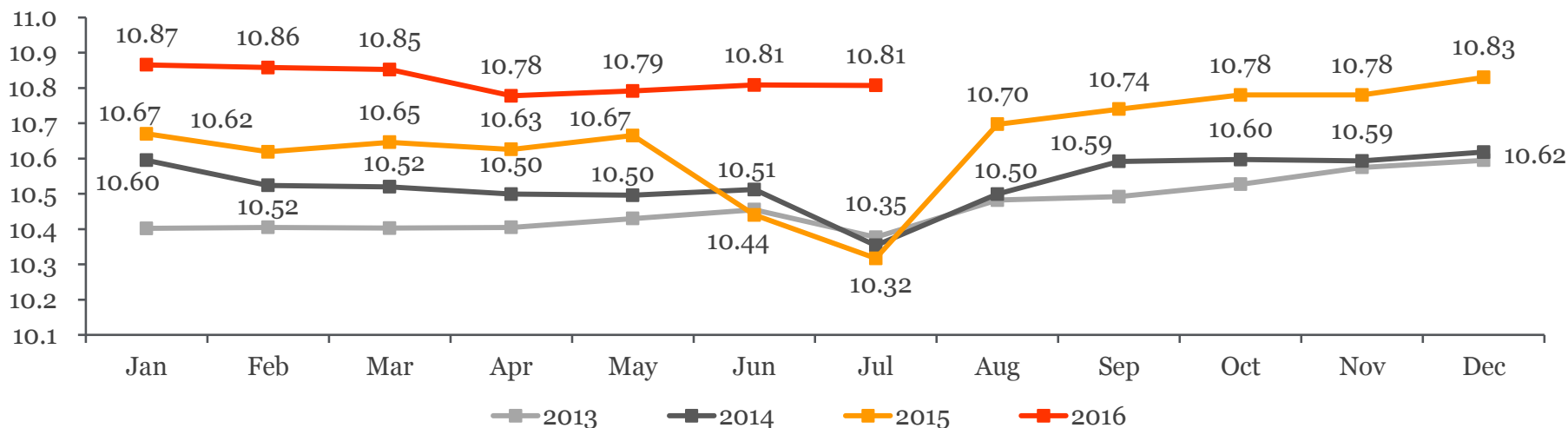
- Russian upstream oil and gas production remains profitable.
- There are two main factors behind the resilient upstream profitability in Russia:
  - Flexible fiscal regime directly linked to oil prices, which absorbs significant part of the oil price decrease;
  - Floating exchange rate regime with oil-linked Rouble, which cut OPEX.



# With Record High Oil Production...

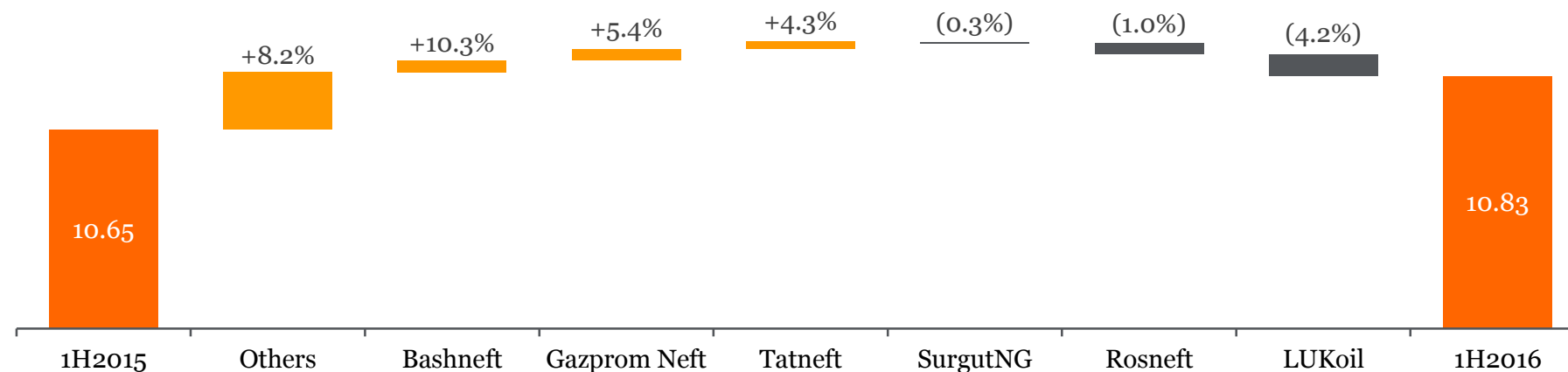


## Russian total oil output, mmbpd



Source: Interfax, Info TEK

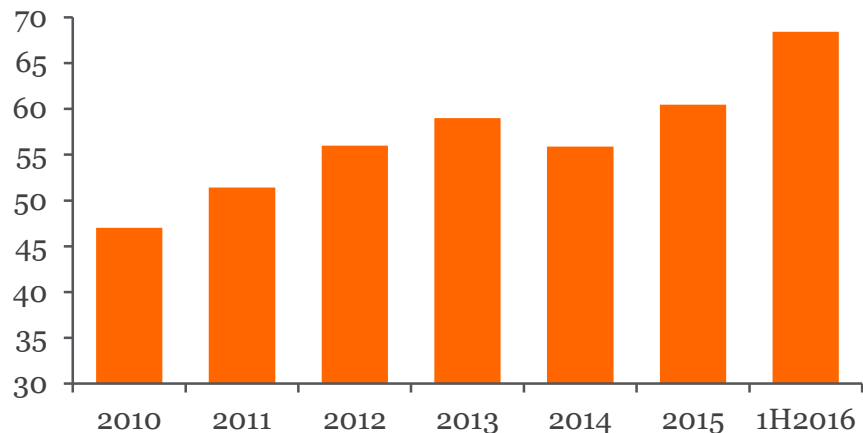
## 1H2016 Russian oil production growth, broken down, mmbpd



Source: CDU TEK

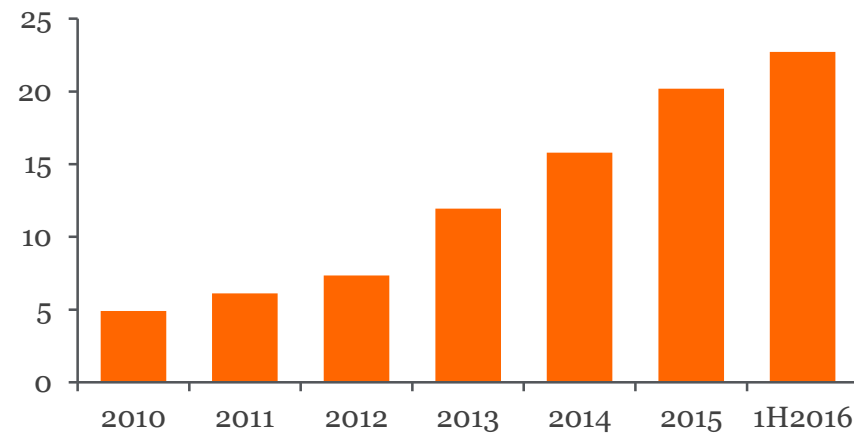
# Supported by Strong Drilling Activity

## Russian drilling activity is strong and growing, km/d



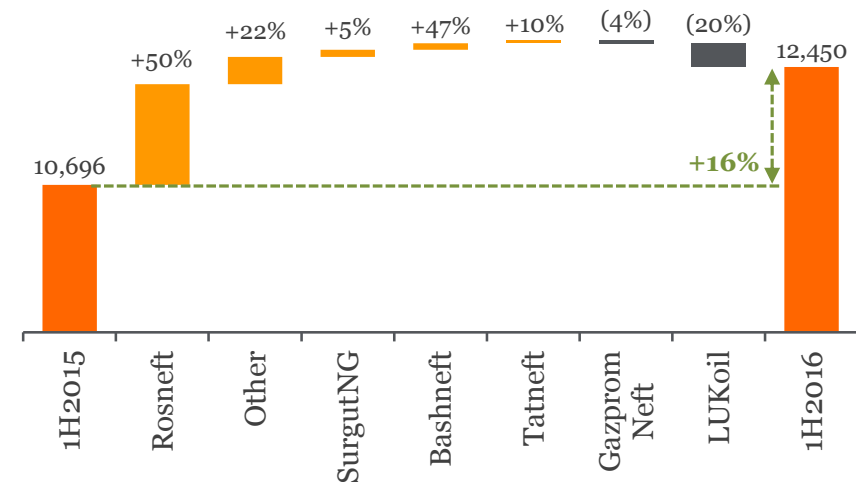
Source: CDU TEK

## Horizontal drilling keeps growing in absolute, km/d



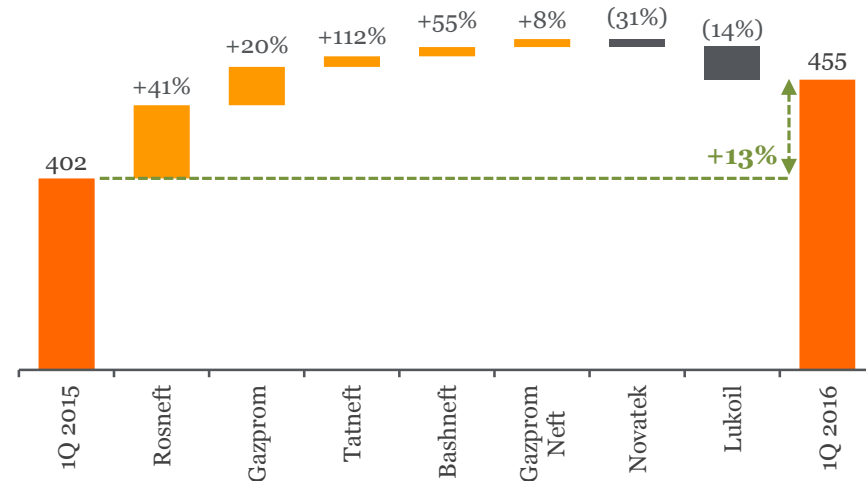
Source: CDU TEK

## 1H2016 Russian drilling growth broken down, km



Source: CDU TEK

## Upstream CAPEX budgets respond to profit resilience, RUB bn



Source: Companies' data

# Russian Market Share Positions for 1H 2016



## SEAMLESS

**OCTG 66%**



**-1% YoY**

Seamless OCTG for oil and gas



**Line pipe 64%**

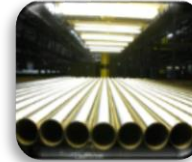


**+2% YoY**

Seamless line pipe for oil and gas



**Industrial pipe 38%**



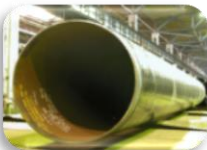
**+0.6% YoY**

High-margin products for industrial needs



## WELDED

**Large diameter pipe 20%**

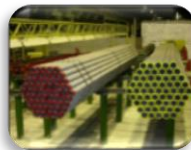


**+2% YoY**

Large diameter pipe for projects



**Line pipe 25%**



**+1% YoY**

Welded line pipe for oil and gas



**Industrial pipe 8%**



**Stable YoY**

Welded industrial products



Source: TMK estimates

# Premium Solutions: TMK UP Series



## Why do they choose premium in Russia?

- Gas wells
- Oil wells with high gas-oil ratio
- Higher pressure
- When casing is rotated and pushed into place
- Steam-Assisted Gravity Drained (SAGD)
- Offshore

### Lite Series



Higher resistance to torque for casing while drilling and rotating.

### Classic Series



Easy and reliable make-up.

### Professional Series



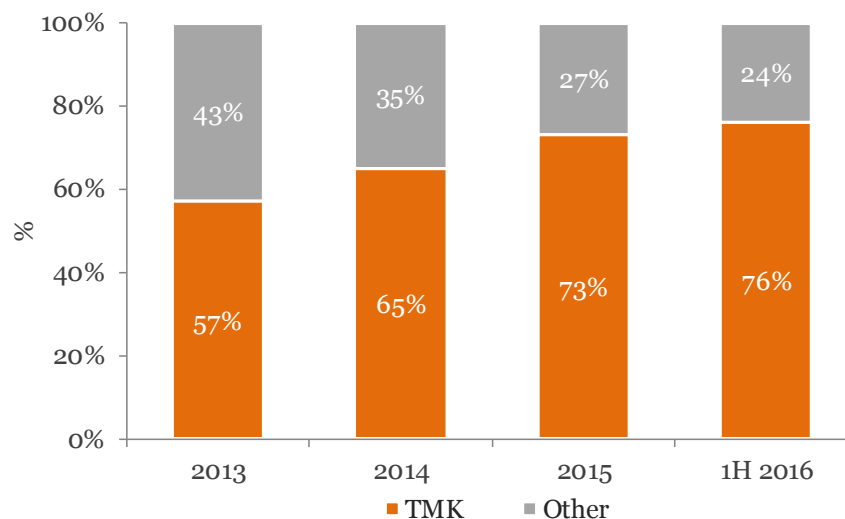
Ability to withstand high tension, compression and bending loads at excessive internal and external pressure.

### Special Series



For complex operations: deviated wells; conductor pipe; SAGD wells.

## TMK's share on the premium market



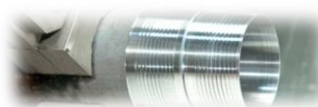
- TMK is a leader in production of premium tubular products on the Russian market with around 76% market share for 1H 2016.
- New product 1: **TMK UP TORQ** - High Torque
- New product 2: **TMK UP CENTUM** – 100%

# Long-term Relationships with Top-Tier Oil and Gas Companies



## TMK long-term agreement to supply premium products to Gazprom

- Long-term agreement to 2023
- Guaranteed purchase of Premium tubular products
- Packaged solution (development of innovative products, production, logistical and technical support)
- Products will be designed and supplied in accordance with Gazprom's specific technical requirements
- Import substitution program
- Gazprom is prepared to pay in advance for the new products which are under development



For current and newly developed projects, including:

- Astrakhan field
- Urengoy field
- Chayandinskoye field
- Kovyktinskoye field
- Power of Siberia
- Offshore projects

## Memorandum with Rosneft regarding offshore projects

- Partnership on import substitution program
- Considering use of TMK's premium products in Rosneft's Russian continental shelf projects
- The list of products in demand includes high-strength pipe casing and oil well tubing, large diameter pipe casing and new types of premium threaded connections

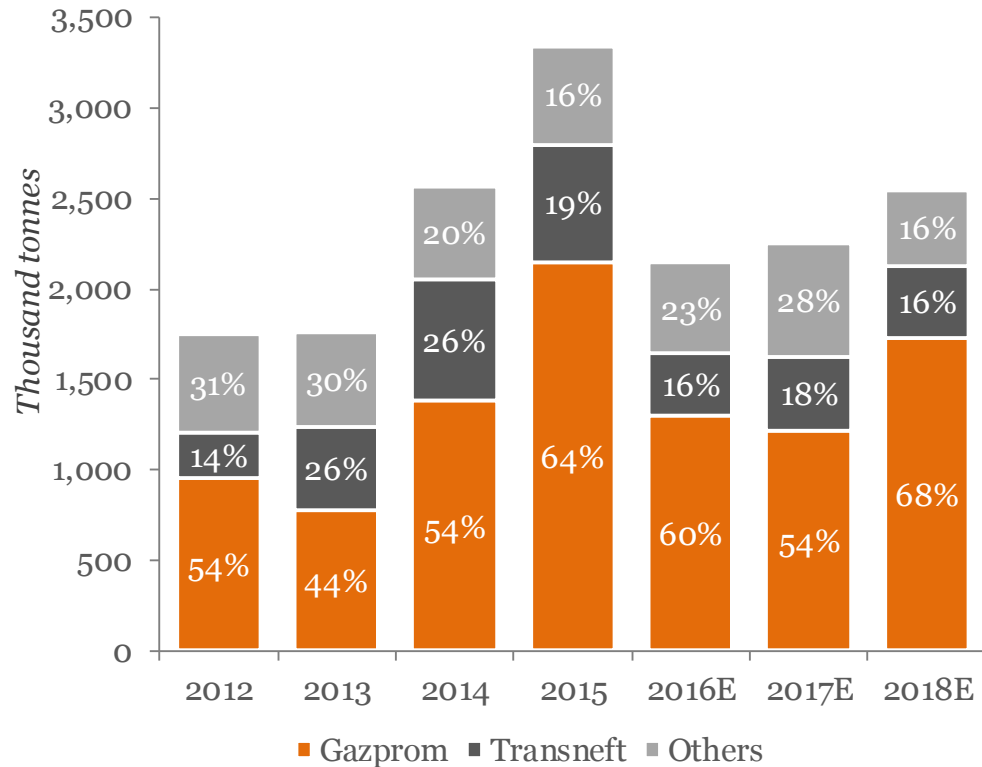
## Shipments to LUKoil

- First shipments of premium pipes with lubricant-free coating to LUKoil-Niznevolzhskneft offshore field
- Shipments of premium products with hydrogen sulfide resistant coating to LUKoil-Kandym field
- Research and Development cooperation agreement for 2014-2016 as part of TMK's broader import substitution program

*Source: TMK data*

# Gazprom's Eastern Program Creates Additional Demand

## LDP demand in Russia, 2012-2018E



Source: TMK estimates



- Annual LDP demand for the nearest two years could amount to approximately 2.2 million tonnes.
- Major projects planned: Power of Siberia (GAZP), Power of Siberia-2 (GAZP), Ukhta – Torzhok, Nord Stream-2, maintenance needs of Transneft and Gazprom.

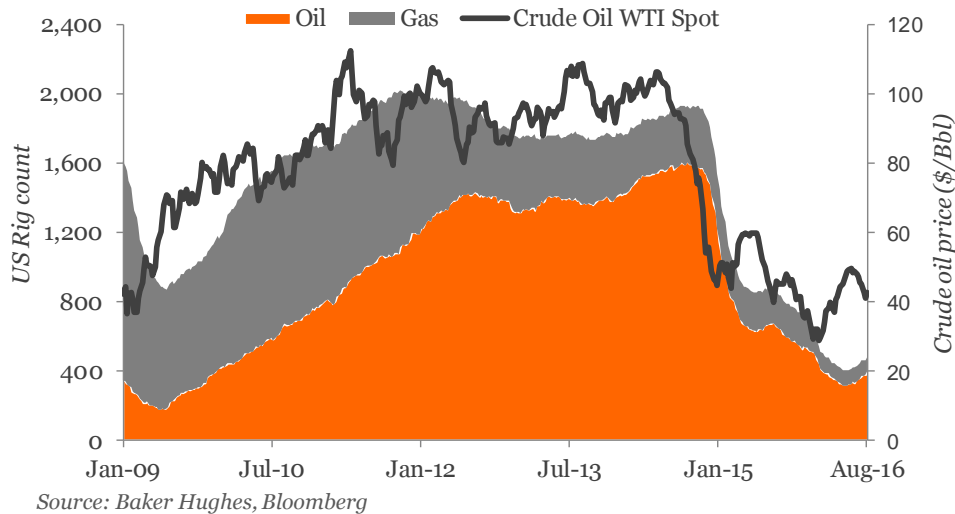
## U.S. Market Overview

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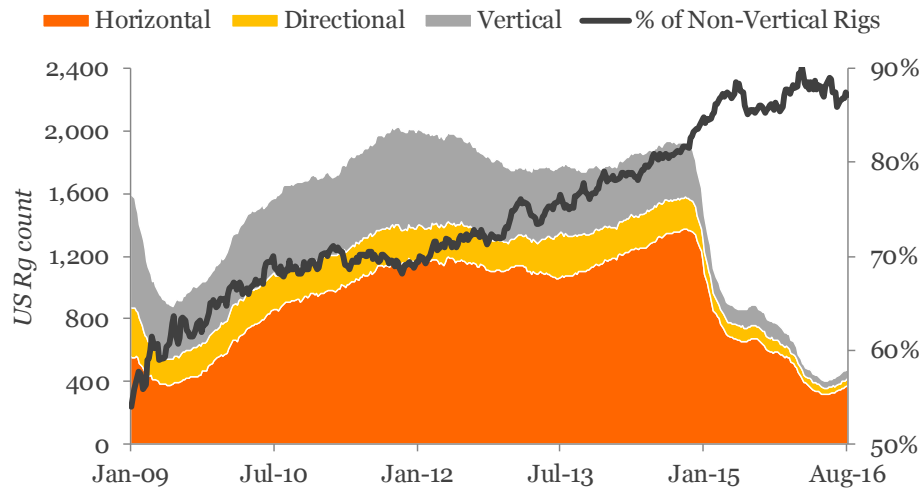
# Industry Performance Review: 2016 Another Challenging Year

## Drop in rig count followed drop in oil prices



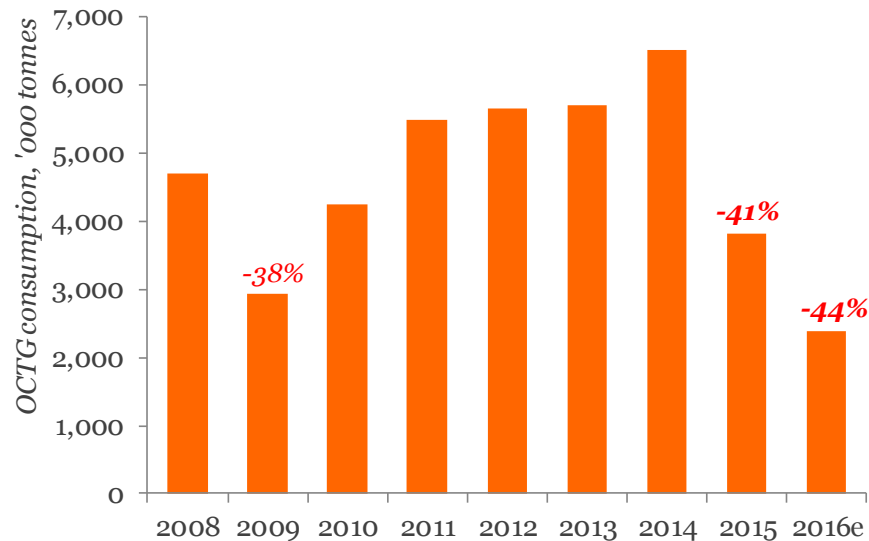
- Average number of rigs in 2Q2016 decreased by 23% QoQ and dropped by 58% for 1H2016 over 1H2015 to 484.
- The current rig count is still pointing to US production declining sequentially between 1Q16 and 2Q16.
- The decline in drilling has been more extreme in vertical rigs.
- Generally, vertical rigs consume more welded, lower value pipe.

## Vertical drilling is more severely affected



# Impact on US OCTG Demand

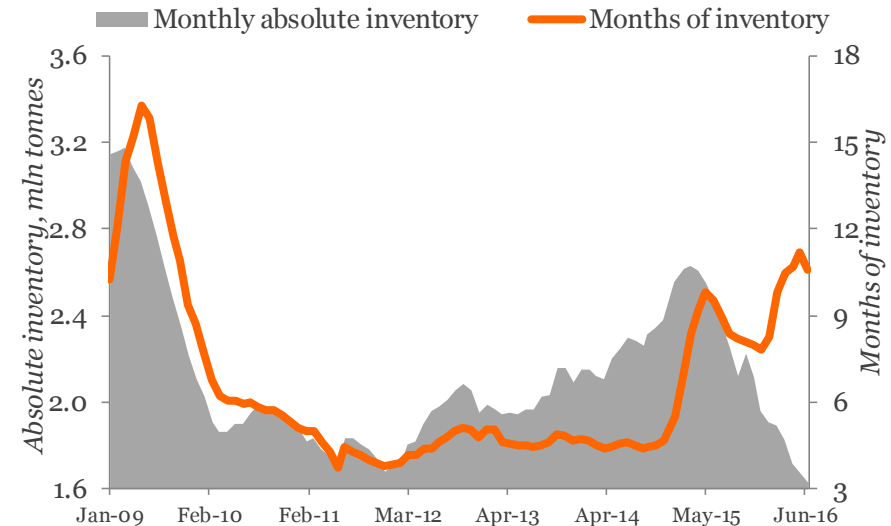
**2Q2016 forecast remains unchanged, with OCTG consumption expected to drop sharply**



Source: Preston Pipe & Tube Report

Note: 2016 estimated consumption is based on the numbers for 3 months of 2016 on annualized basis

**Lower consumption pushed inventory levels to 10.8 months in 2Q2016**



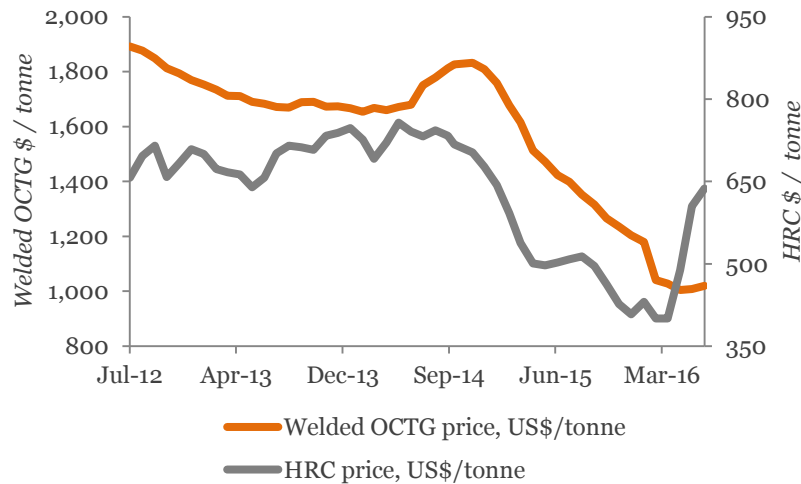
Source: Preston Pipe & Tube Report

- US demand for OCTG remained low through the end of the second quarter as drilling volumes continued to decline.
- OCTG pricing declined in the second quarter of 2016 due to excess levels of inventory and foreign imports.
- A gradual recovery of the North American pipe market is not expected before 2017, subject to oil price stabilization, growth of drilling volumes as well as reduction in inventory.

# Price Decline Being Aided by Drop in Raw Material Costs

## US distributor welded OCTG vs HRC prices

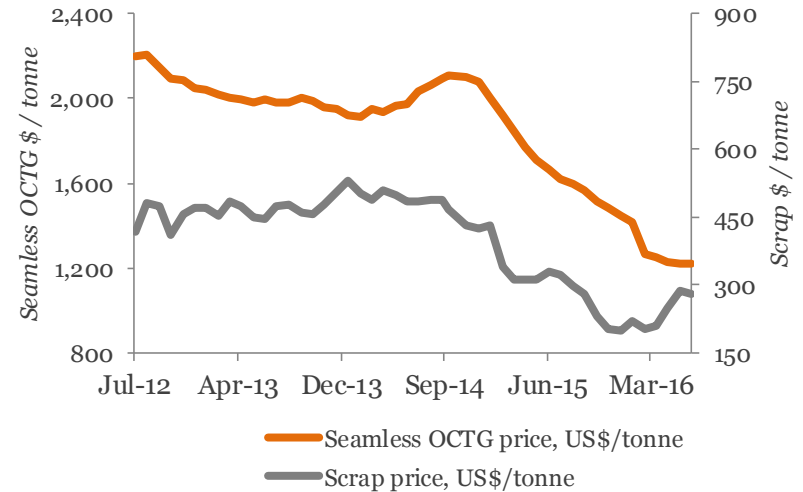
(Monthly Average)



Source: Pipe Logix, HRC Midwest CRU Prices

## US distributor seamless OCTG vs scrap prices

(Monthly Average)



Source: Pipe Logix, AMM

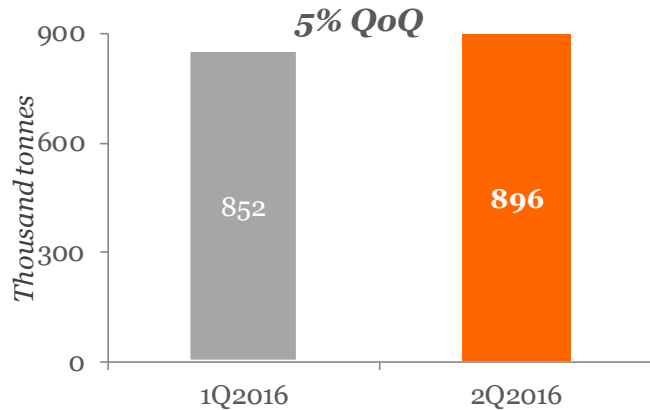
- According to Pipe Logix, in 2Q 2016, the average composite OCTG seamless and welded prices decreased by 7% and 7% respectively, compared to 1Q2016. For 1H 2016, both prices fell by 32% over the same period of 2015.
- In 2Q 2016, HRC prices increased by 13%, over 2Q 2015, to \$577, while scrap fell by 15%, to \$271 over the same period.

## 2Q 2016 Summary Financial Results

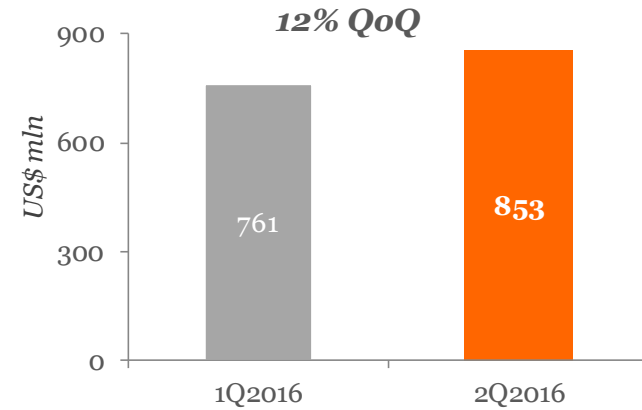
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# 2Q 2016 Summary Financial Highlights

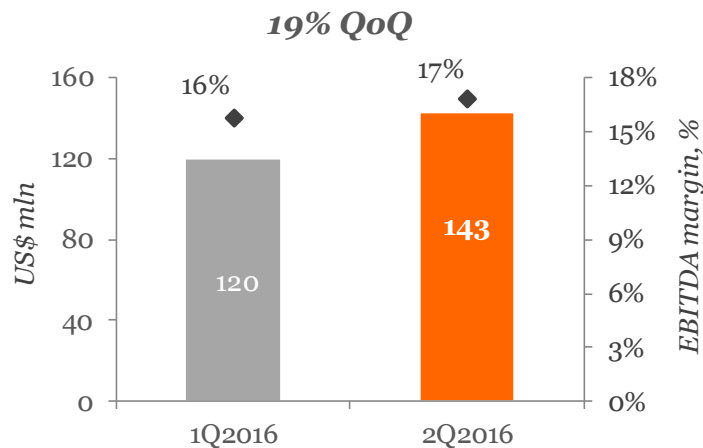
**Sales** increased QoQ, due to higher industrial pipe volumes and improvement in sales at the American division



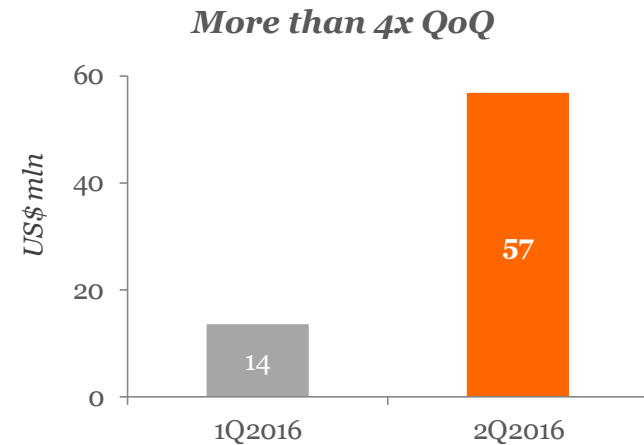
**Revenue** increased QoQ, mostly as a result of a positive effect of currency translation



**Adjusted EBITDA** increased QoQ, largely due to a positive effect of currency translation at the Russian division, improved performance at the American division and lower selling expenses



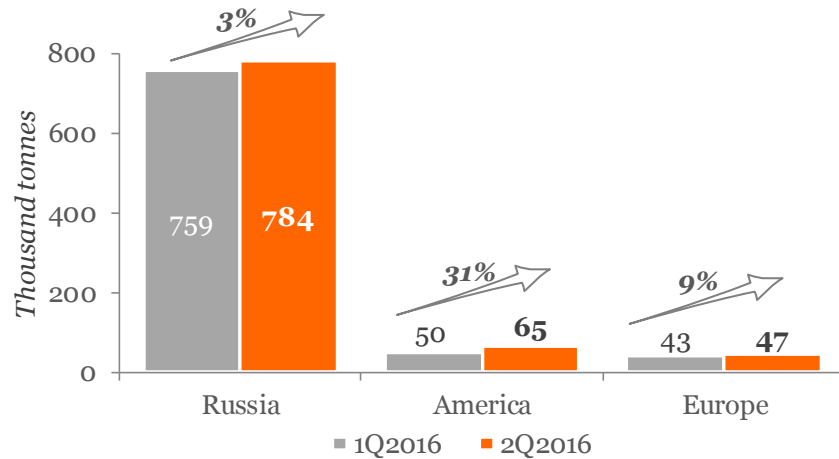
**Net profit** was \$57 million compared to \$14 million in 1Q 2016, due to stronger results overall



Source: TMK data

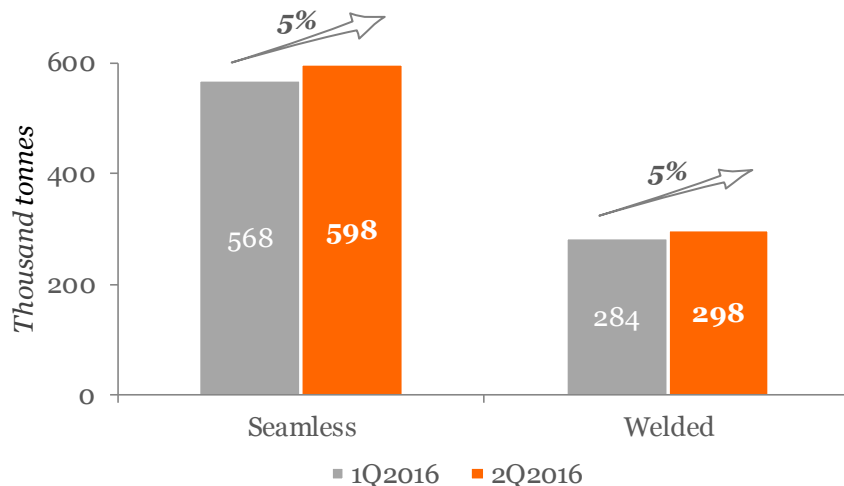
# 2Q 2016 Sales by Division and Product Group

## Sales by division



- Russian division sales increased QoQ, due to higher seamless and welded industrial pipe volumes.
- American division sales increased, predominantly as a result of higher seamless OCTG and welded line pipe volumes.
- European division sales increased by 9% QoQ, as a result of higher seamless pipe volumes.

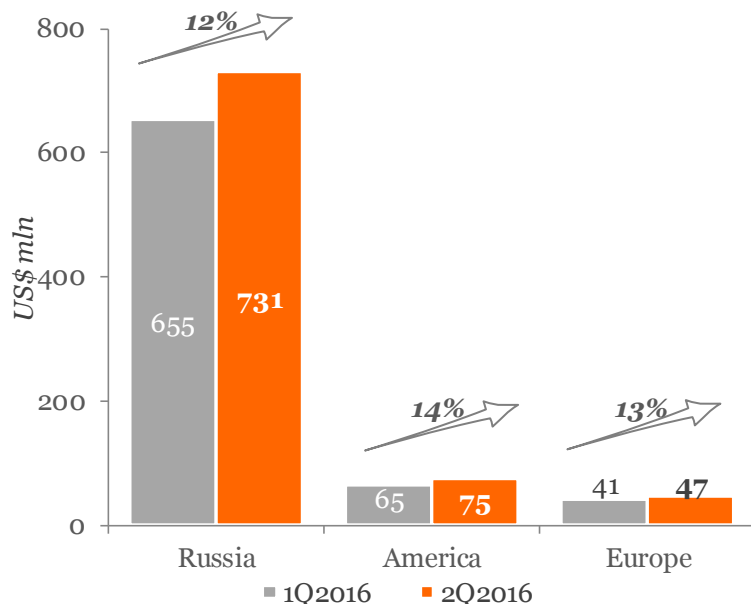
## Sales by product group



- Seamless pipe sales increased QoQ, due to higher seamless industrial pipe volumes at the Russian division and improved OCTG sales at the American division.
- Welded pipe sales increased QoQ, mostly due to higher welded industrial pipe volumes at the Russian division.
- Total OCTG sales demonstrated a marginal QoQ growth, with slightly lower volumes at the Russian division and increased sales at the American division.

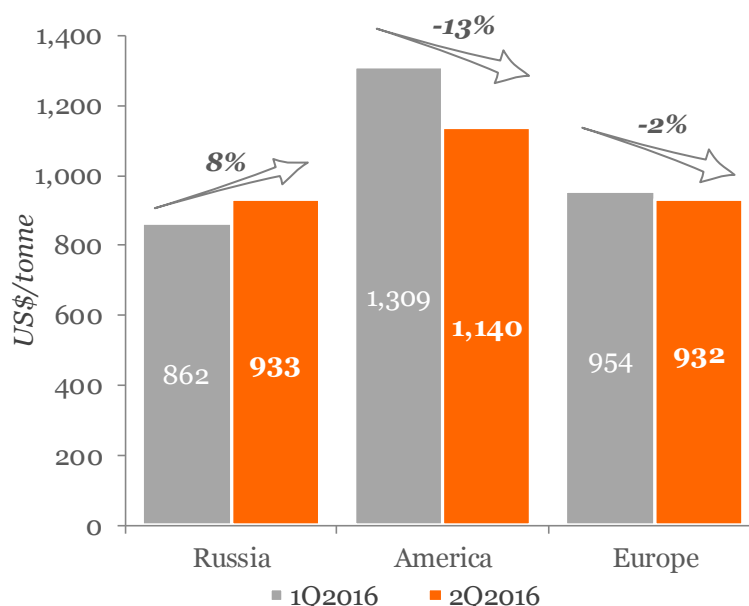
# 2Q 2016 Revenue by Division

## Revenue



- Results for 2Q 2016 at the Russian division recognized a positive effect of currency translation. Excluding this effect, revenue would have been relatively flat QoQ.
- Revenue for the American division increased QoQ due to higher sales.
- Revenue for the European division increased QoQ, a result of higher seamless pipe sales.

## 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 increased QoQ, mostly as a result of a positive effect of currency translation.
- American division revenue per tonne decreased QoQ, as a result of an unfavorable pricing environment.
- European division revenue per tonne decreased QoQ, mainly due to lower prices as a result of higher competition from imports.

Source: Consolidated IFRS financial statements, TMK data

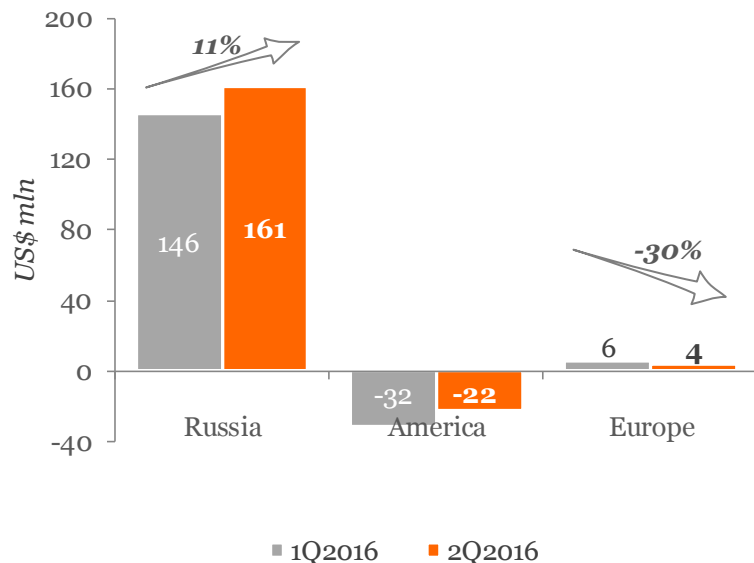
Note:

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.



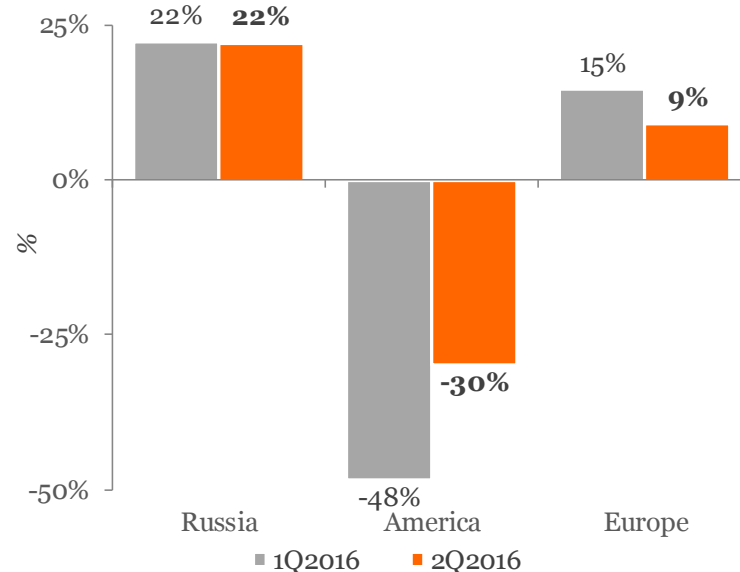
# 2Q 2016 Adjusted EBITDA by Division

## Adjusted EBITDA



- Russian division Adjusted EBITDA increased QoQ, mostly due to a positive effect of currency translation.
- The American division continued to be affected by low pipe sales combined with a further decline in prices.
- European division Adjusted EBITDA declined QoQ, mainly as a result of unfavorable seamless pipe pricing.

## Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin remained flat QoQ.
- European division Adjusted EBITDA margin decreased QoQ, mainly due to weaker pricing.

Source: TMK Consolidated IFRS financial statements, TMK data

Note:

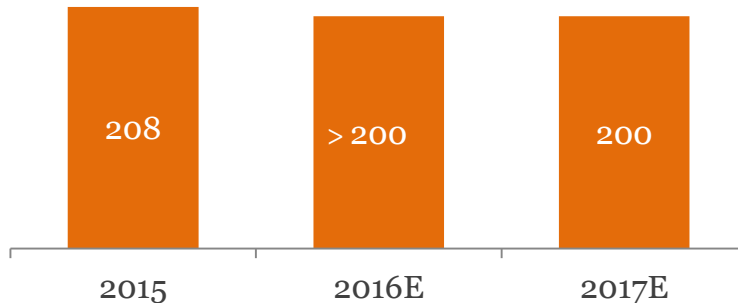
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# Strategic Overview

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# Revised Capex Program

US\$mln



Source: TMK estimates

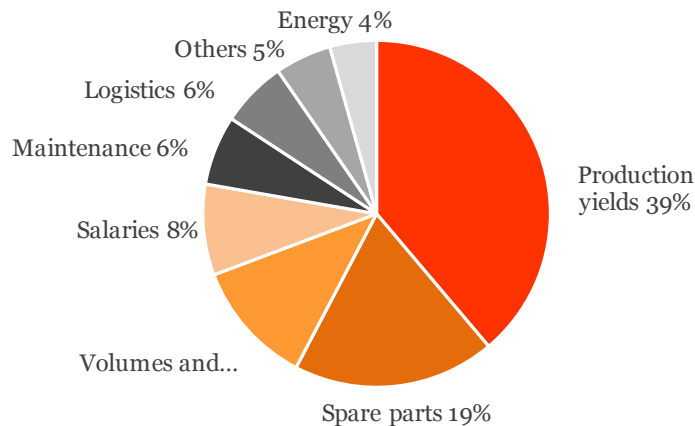
- Less than US\$400 mln capex program for 2016-2017, including approximately US\$100 mln maintenance capex annually.
- Major strategic investment program completed in Autumn 2014.
- Majority of 2016-2017 capex will be spent on finishing capacities like heat treatment and threading lines.



# Ongoing Cost Cutting Program

## 1H 2016 cost cutting program

**Total effect of around US\$27 mln**



Source: TMK estimates



- 2015 cost cutting program realized at 132%.
- 2014 cost cutting program was realized by more than 100%.
- Total effect on EBITDA is approximately US\$27 mln for 1H 2016.

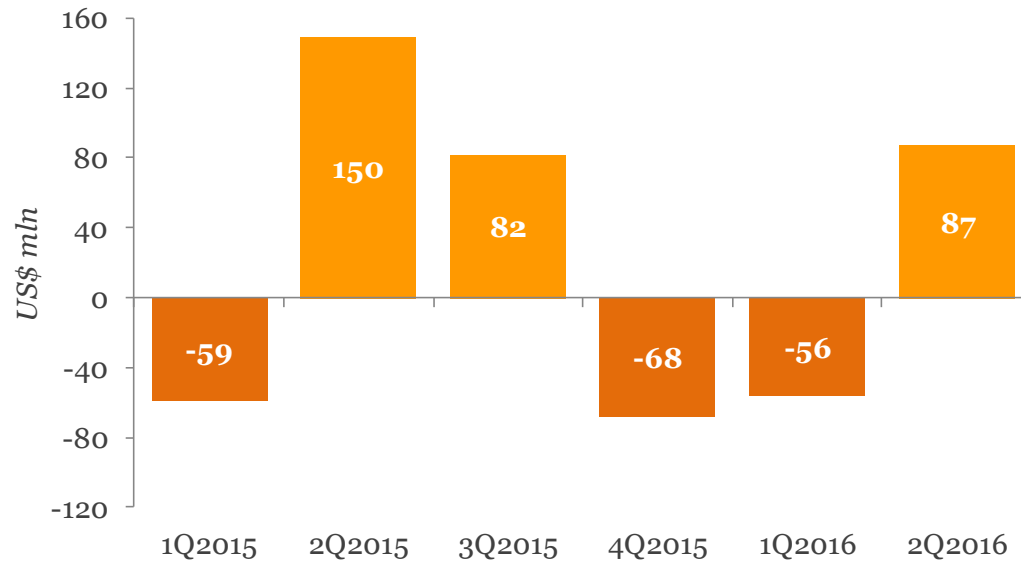
## Ongoing cost cutting measures

Selected Items	Estimated effect on EBITDA, kUS\$ 1H 2016
Production yields	10,376
Spare parts	5,030
Volumes and product mix	3,101
Salaries	2,265
Maintenance	1,733
...	...
RUB/USD	70.26

Source: TMK estimates

# Optimization of Working Capital Position

## Changes in working capital



Source: TMK data

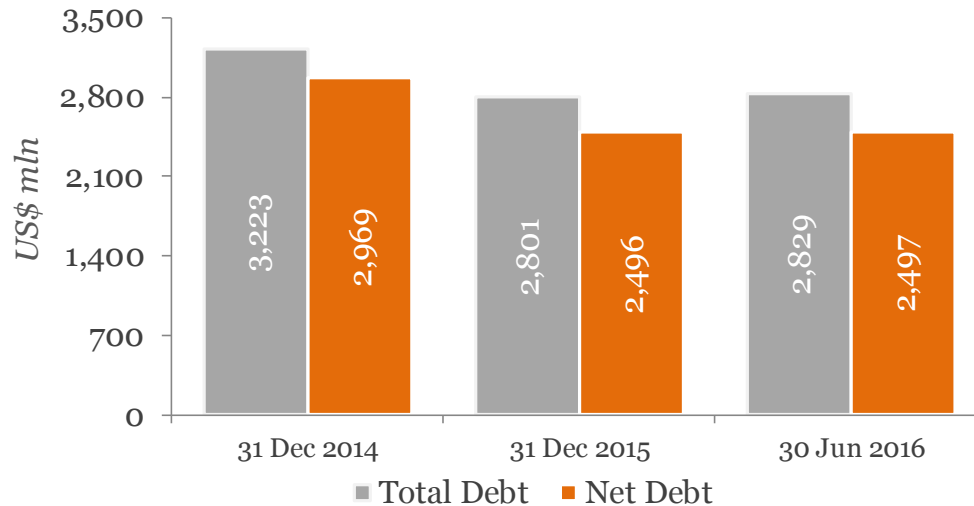
- In 2Q 2016, there was a working capital release in the amount of US\$87 mln, partially due to improved payment discipline of the clients and efficient work with suppliers.
- For FY 2016 the Company expects some working capital release.

US\$ mln	2015				2015	2016
	1Q	2Q	3Q	4Q	6m	6m
Decrease/(increase) in inventories	6	92	(39)	39	98	14
Decrease/(increase) in trade and other receivables	(6)	121	49	(49)	114	22
Decrease/(increase) in prepayments	12	7	(29)	29	19	15
Increase/(decrease) in trade and other payables	(46)	(77)	(19)	19	(123)	40
Increase/(decrease) in advances from customers	(24)	6	120	(120)	(18)	(60)
<b>Working capital, US\$ mln</b>	<b>(59)</b>	<b>150</b>	<b>82</b>	<b>(82)</b>	<b>91</b>	<b>31</b>

Source: TMK data

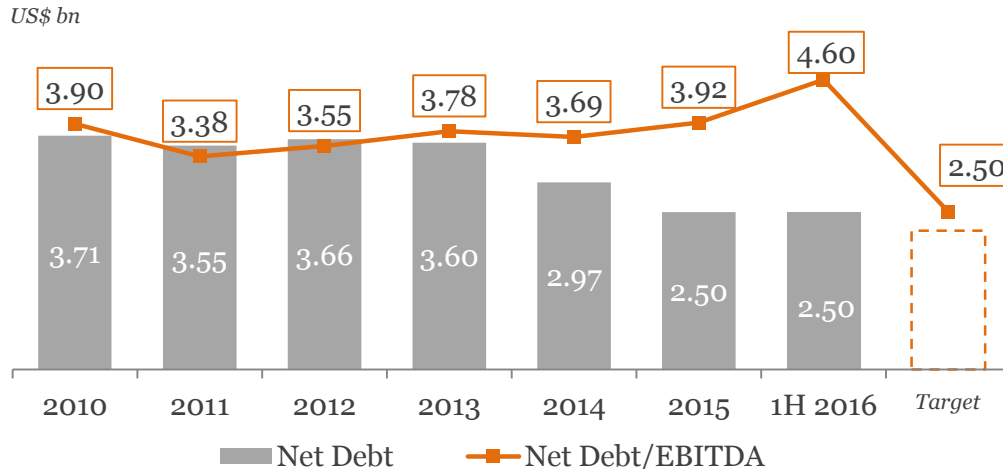
# Commitment to Deleverage

## Continuous decrease of debt level



Source: Consolidated IFRS financial statements

## Target to achieve 2.5x Net Debt/EBITDA

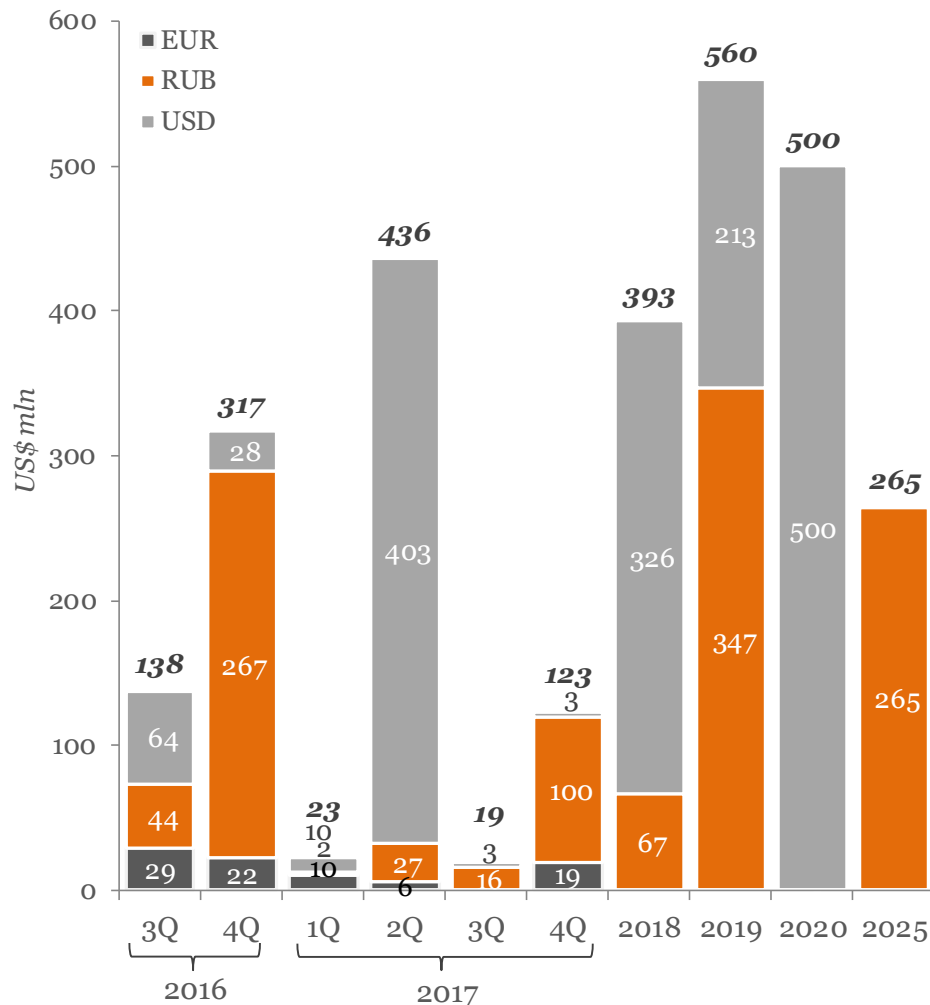


Source: TMK data, TMK estimates

- Net repayment of borrowings in 2Q 2016 amounted to \$55m and \$91m for 1H 2016.
- Target to achieve a 2.5x Net Debt to EBITDA ratio through maximizing operating cash flows, improving working capital position and considering different strategic options, such as possible share issue and disposals of certain assets (including international).

# Debt Maturity Profile as at June 30, 2016

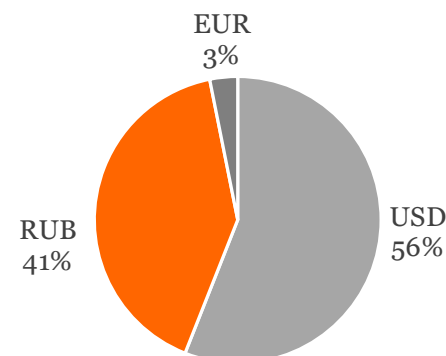
## Debt maturity profile as at June 30, 2016



Source: TMK management accounts, figures based on non-IFRS measures

- As at June 30, 2016, total loan portfolio amounted to US\$2,772 mln compared to US\$2,738 mln as at December 31, 2015.
- Weighted average nominal interest rate increased by 3 bps compared to December 31, 2015 to 9.09% as at the end of the reported period.
- Credit Ratings:
  - S&P: B+, Negative;
  - Moody's: B1, Negative.
- In April 2016, TMK completed a placement of Russian rouble bonds for a total of 5 billion roubles with a 13% coupon per annum payable on a semi-annual basis. The bonds are listed on the Moscow Exchange.
- In April 2016, the Company redeemed \$177.5 million of 7.75% loan participation notes due 2018.

## Debt currency structure



Source: TMK management accounts, TMK estimates



# Key Targets and Achievements

## CAPEX

- Strategic investment program completed.
- Capex program cut to less than US\$400 mln for 2016-2017, which translates to a more than 30% decrease compared to initial capex budget.

## Deleveraging

- Net repayment of borrowings in 2Q 2016 amounted to \$55 mln and \$91 mln for 1H 2016.
- Payment discipline of major clients.
- Achieve 2.5x Net Debt/EBITDA ratio through maximizing operating cash flows, further improvement of working capital position. The Company is considering different strategic options, including possible share issue and disposals of certain assets (including international).

## OFS and premium products

- Further development of Oil Field Services to become a “one-stop-shop” for customers’ needs.
- Achieve more than 30% share of premium connections in total OCTG sales by 2018.

## Strengthen positions on local markets

- Increased share of the Russian market as a result of import substitution program.
- Newly signed long-term agreement with Gazprom to supply premium products.
- Transfer cost increases to customers and retain pricing power.

## Appendix – Summary Financial Accounts

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# Key Consolidated Financial Highlights

<i>(US\$mln)<sup>(a)</sup></i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>
<b>Adjusted EBITDA<sup>(b)</sup></b>	<b>636</b>	<b>804</b>	<b>952</b>
<i>Adjusted EBITDA Margin (%)</i>	<i>15%</i>	<i>13%</i>	<i>15%</i>
<b>Profit (Loss)</b>	<b>(368)</b>	<b>(217)</b>	<b>215</b>
<i>Net Profit Margin (%)</i>	<i>n/a</i>	<i>n/a</i>	<i>3%</i>
<b>Pipe Sales ('000 tonnes)</b>	<b>3,871</b>	<b>4,402</b>	<b>4,287</b>
<b>Average Net Sales/tonne (US\$)<sup>(c)</sup></b>	<b>1,066</b>	<b>1,365</b>	<b>1,500</b>
<b>Cash Cost per tonne (US\$)<sup>(d)</sup></b>	<b>783</b>	<b>1,030</b>	<b>1,108</b>
<b>Cash Flow from Operating Activities</b>	<b>684</b>	<b>595</b>	<b>703</b>
<b>Capital Expenditure<sup>(e)</sup></b>	<b>208</b>	<b>293</b>	<b>397</b>
<b>Total Debt<sup>(f)</sup></b>	<b>2801</b>	<b>3,223</b>	<b>3,694</b>
<b>Net Debt<sup>(f)</sup></b>	<b>2,496</b>	<b>2,969</b>	<b>3,600</b>
<b>Short-term Debt/Total Debt</b>	<b>21%</b>	<b>24%</b>	<b>11%</b>
<b>Net Debt/Adjusted EBITDA</b>	<b>3.9x</b>	<b>3.7x</b>	<b>3.8x</b>
<b>Adjusted EBITDA/Finance Costs</b>	<b>2.3x</b>	<b>3.5x</b>	<b>3.8x</b>

(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	2015	2014	2013	2012	2011
<b>Revenue</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>	<b>6,688</b>	<b>6,754</b>
Cost of Sales	(3,282)	(4,839)	(5,074)	(5,209)	(5,307)
<b>Gross Profit</b>	<b>845</b>	<b>1,169</b>	<b>1,358</b>	<b>1,479</b>	<b>1,446</b>
Selling and Distribution Expenses	(260)	(350)	(379)	(433)	(411)
General and Administrative Expenses	(207)	(278)	(317)	(293)	(283)
Advertising and Promotion Expenses	(8)	(14)	(12)	(11)	(9)
Research and Development Expenses	(13)	(15)	(13)	(17)	(19)
Other Operating Expenses, Net	(35)	(35)	(34)	(57)	(40)
Foreign Exchange Gain / (Loss), Net	(141)	(301)	(49)	23	(1)
Finance Costs, Net	(269)	(226)	(245)	(275)	(271)
Other	(354)	(150)	5	(16)	132
<b>Income / (Loss) before Tax</b>	<b>(443)</b>	<b>(201)</b>	<b>312</b>	<b>400</b>	<b>544</b>
Income Tax (Expense) / Benefit	75	(15)	(98)	(123)	(159)
<b>Net Income / (Loss)</b>	<b>(368)</b>	<b>(217)</b>	<b>215</b>	<b>278</b>	<b>385</b>

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	2015	2014	2013	2012	2011
<b>ASSETS</b>					
Cash and Bank Deposits	305	253	93	225	231
Accounts Receivable	512	728	995	914	772
Inventories	785	1,047	1,324	1,346	1,418
Prepayments	113	113	148	180	200
Other Financial Assets	-	1	-	4	4
<b>Total Current Assets</b>	<b>1,715</b>	<b>2,142</b>	<b>2,561</b>	<b>2,670</b>	<b>2,625</b>
Assets Classified as Held for Sale					-
<b>Total Non-current Assets</b>	<b>2,697</b>	<b>3,508</b>	<b>4,857</b>	<b>4,934</b>	<b>4,507</b>
<b>Total Assets</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>	<b>7,603</b>	<b>7,132</b>
<b>LIABILITIES AND EQUITY</b>					
Accounts Payable	682	831	1,111	1,132	1,053
ST Debt	600	764	398	1,068	599
Dividends	-	-	-	-	-
Other Liabilities	41	48	62	74	53
<b>Total Current Liabilities</b>	<b>1,323</b>	<b>1,643</b>	<b>1,571</b>	<b>2,275</b>	<b>1,705</b>
LT Debt	2,201	2,459	3,296	2,817	3,188
Deferred Tax Liability	110	206	298	302	305
Other Liabilities	64	71	125	125	111
<b>Total Non-current Liabilities</b>	<b>2,374</b>	<b>2,735</b>	<b>3,718</b>	<b>3,244</b>	<b>3,603</b>
<b>Equity</b>	<b>715</b>	<b>1,271</b>	<b>2,130</b>	<b>2,084</b>	<b>1,823</b>
<i>Including Non-Controlling Interest</i>	<i>53</i>	<i>66</i>	<i>96</i>	<i>99</i>	<i>92</i>
<b>Total Liabilities and Equity</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>	<b>7,603</b>	<b>7,132</b>
<b>Net Debt</b>	<b>2,496</b>	<b>2,969</b>	<b>3,600</b>	<b>3,656</b>	<b>3,552</b>

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	2015	2014	2013	2012	2011
<b>Profit / (Loss) before Income Tax</b>	<b>(443)</b>	<b>(201)</b>	<b>312</b>	<b>400</b>	<b>544</b>
<i>Adjustments for:</i>					
Depreciation and Amortisation	251	304	326	326	336
Net Interest Expense	269	226	245	275	271
Others	552	479	61	39	(101)
Working Capital Changes	105	(159)	(159)	(34)	(156)
<b>Cash Generated from Operations</b>	<b>734</b>	<b>648</b>	<b>786</b>	<b>1,006</b>	<b>894</b>
Income Tax Paid	(51)	(53)	(82)	(77)	(107)
<b>Net Cash from Operating Activities</b>	<b>684</b>	<b>595</b>	<b>703</b>	<b>929</b>	<b>787</b>
Capex	(208)	(293)	(397)	(445)	(402)
Acquisitions	(2)	(60)	(38)	(33)	-
Others	25	10	12	23	25
<b>Net Cash Used in Investing Activities</b>	<b>(185)</b>	<b>(343)</b>	<b>(423)</b>	<b>(455)</b>	<b>(377)</b>
Net Change in Borrowings	(193)	154	(93)	(148)	4
Others	(187)	(206)	(313)	(341)	(339)
<b>Net Cash Used in Financing Activities</b>	<b>(381)</b>	<b>(53)</b>	<b>(407)</b>	<b>(489)</b>	<b>(335)</b>
Net Foreign Exchange Difference	(65)	(40)	(5)	10	(2)
Cash and Cash Equivalents at January 1	253	93	225	231	158
<b>Cash and Cash Equivalents at YE</b>	<b>305</b>	<b>253</b>	<b>93</b>	<b>225</b>	<b>231</b>

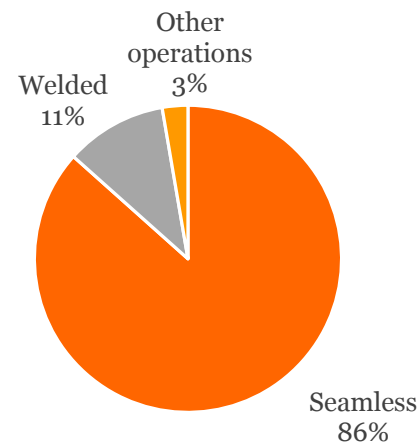
Source: Consolidated IFRS Financial Statements

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.

# Seamless – Core to Profitability

	U.S.\$ mln (unless stated otherwise)	2Q 2016	QoQ, %	1H 2016	YoY, %
SEAMLESS	Sales - Pipes, kt	598	5%	1,167	-5%
	<b>Revenue</b>	<b>578</b>	11%	<b>1,100</b>	-22%
	Gross profit	157	11%	298	-13%
	Margin, %	27%		27%	
	Avg revenue/tonne (US\$)	965	5%	943	-17%
	Avg gross profit/tonne (US\$)	263	6%	256	-8%
WELDED	Sales - Pipes, kt	298	5%	582	-22%
	<b>Revenue</b>	<b>233</b>	14%	<b>438</b>	-44%
	Gross profit	28	220%	37	-74%
	Margin, %	12%		8%	
	Avg revenue/tonne (US\$)	784	9%	754	-29%
	Avg gross profit/tonne (US\$)	94	205%	63	-66%

## 1H 2016 gross profit breakdown



- Sales of seamless pipe generated 68% of total Revenue both in 2Q 2016 and for 1H 2016.
- Gross Profit from seamless pipe sales represented 82% of 2Q 2016 total GP 87% of 1H 2016 GP.
- Gross Profit Margin from seamless pipe sales amounted to 27% in 2Q 2016 and for 1H 2016.

Source: Consolidated IFRS financial statements, TMK data

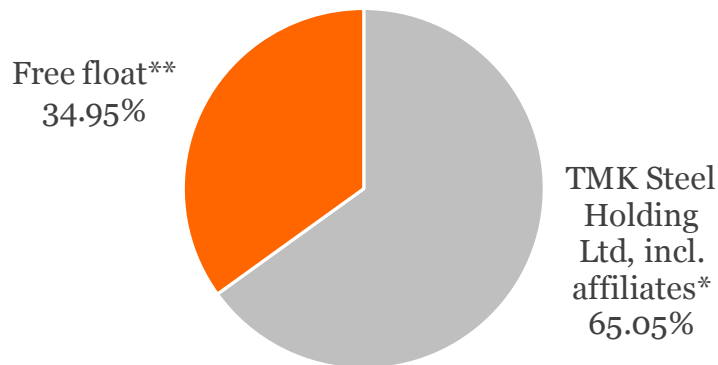
Note:

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## Appendix – Capital Structure and Corporate Governance



## Capital structure



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

\*\*Including shares of VTB (13.44%) and Rosnano (5.26%)

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 June 30, 2016 32.24% of TMK shares were in free float, with approximately 50% of them traded in the form of GDRs on the London Stock Exchange.
- On August 16, 2016, the share capital of the Company was in fact increased by 41,228,106 ordinary shares by means of an open subscription at a price of RUB71 per share. As soon as these shares are listed at MOEX, total shares outstanding will amount to 1,033,135,366 or equivalent of 258,283,841 GDRs.
- One GDR represents four ordinary shares.

*Note: as of the date of publication of this presentation – August 19, 2016 – the share capital increase was not yet registered. The above share capital structure represents the structure after completion of all required regulatory procedures.*

## 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 Promyshlenny 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.



### **SERGEY KRAVCHENKO, Independent director, member of the Board of Directors**

Born in 1960. Graduated from the Moscow State University of Mechanical Engineering in 1982. Professor, Doctor of Technical Science/

**Relevant experience:** President of Boeing Russia and CIS since 2002, responsible for the company's business development in Russia and CIS. Head of representative office of Boeing Russia and CIS. Prior to joining Boeing in 1992 was a lead member of the Russian Academy of Sciences, a teacher in Russia and a science advisor in the US, Europe and Asia.



### **ROBERT MARK FORESMAN, Independent director, member of the Board of Directors**

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

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# Wide Range of Products, Focus on Oil and Gas

## Seamless



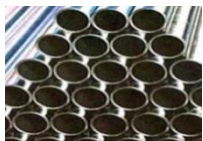
Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.

### 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.

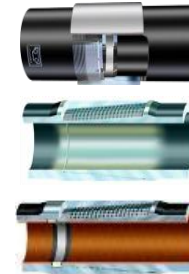
### Large-Diameter



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.

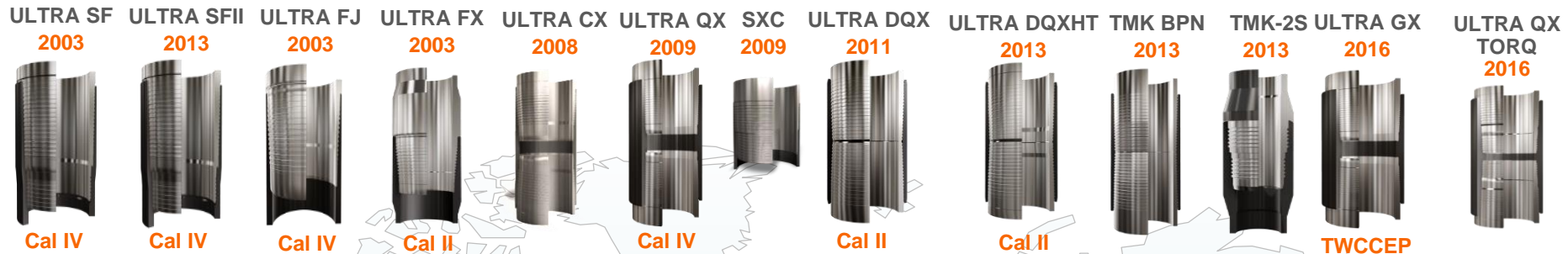
### Premium Connections (TMK UP)

## Oilfield Services

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

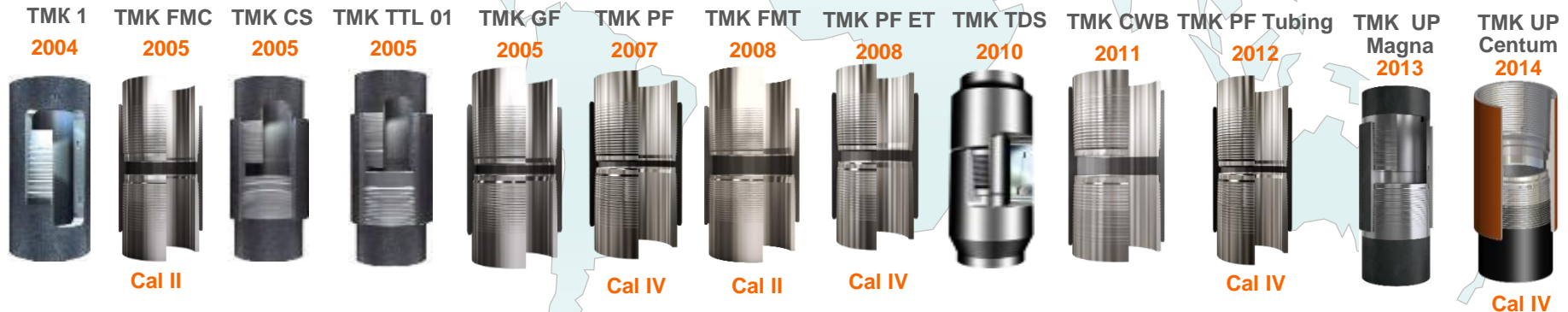


# Premium Solutions: TMK UP



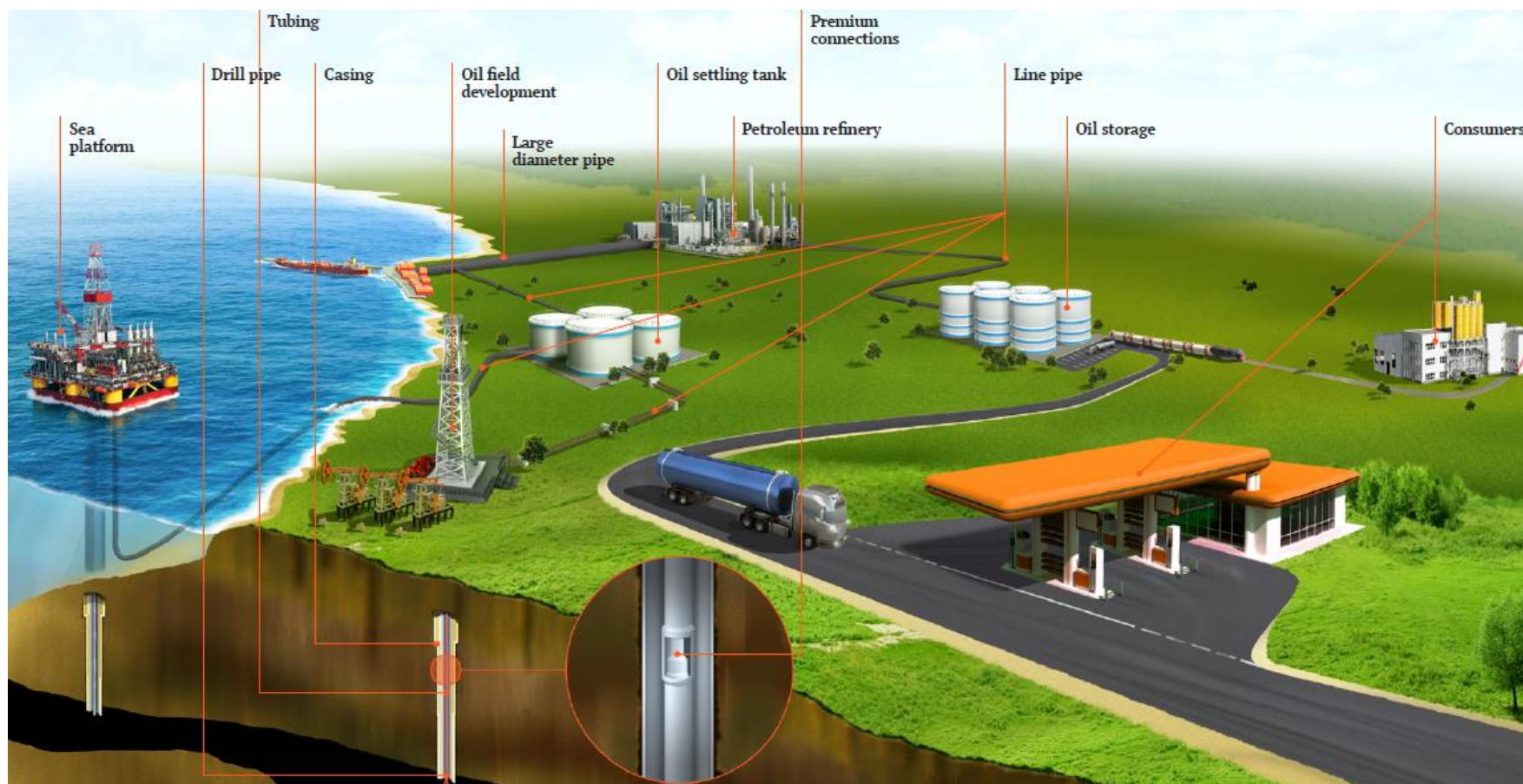
## Unique range of Premium products

- 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





# 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 (38% of total sales in 1H 2016);
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas (25% of total sales in 1H 2016);
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products (15% in total sales in 1H 2016).

# Thank You

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**TMK Investor Relations**

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