



# **TMK IR PRESENTATION**

May 2016

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein and, accordingly, none of the Company, or any of its shareholders or subsidiaries or any of such person's officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this presentation.

This presentation contains certain forward-looking statements that involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. PAO TMK does not undertake any responsibility to update these forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation contains statistics and other data on PAO TMK's industry, including market share information, that have been derived from both third party sources and from internal sources. Market statistics and industry data are subject to uncertainty and are not necessarily reflective of market conditions. Market statistics and industry data that are derived from third party sources have not been independently verified by PAO TMK. Market statistics and industry data that have been derived in whole or in part from internal sources have not been verified by third party sources and PAO TMK cannot guarantee that a third party would obtain or generate the same results.






















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















## MANAGEMENT

-  TMK Headquarters (Moscow, Russia)
-  TMK IPSCO Headquarters (Houston, USA)

## PRODUCTION

-  1 Taganrog Metallurgical Works
-  2 Volzhsky Pipe Plant
-  3 Seversky Tube Works, TMK-CPW
-  4 Sinarsky Pipe Plant, TMK-INOX
-  5 Orsk machine-building Plant
-  6 TMK-Kaztrubprom
-  7 Houston-TMK Premium (Houston, USA)
-  8 Geneva, NE
-  9 Tulsa, OK
-  10 Odessa-TMK Premium, TX
-  11 Brookfield-TMK Premium, OH
-  12 Koppel, PA
-  13 Blytheville, AR
-  14 Wilder, KY
-  15 Baytown, TX
-  16 Camanche, IA
-  17 Ambridge, PA
-  18 Edmonton
-  19 TMK-RESITA (Romania)
-  20 TKM-ARTROM (Romania)
-  21 TMK GIPI (Oman)




## SALES

-  1 TMK
-  2 Trade Office TMK IPSCO (Houston, USA)
-  3 Trade Office TMK IPSCO (Calgary, Canada)
-  4 Trade Office TMK (Singapore)
-  5 Trade Office TMK (RSA)
-  6 TMK Representative Office (Azerbaijan)
-  7 TMK Representative Office (Turkmenistan)
-  8 TMK Representative Office (Uzbekistan)
-  9 TMK-Kazakhstan (Kazakhstan)
-  10 TMK Representative Office (China)
-  11 TMK Europe (Germany)
-  12 TMK Global (Switzerland)
-  13 TMK Italia (Italy)

## OIL AND GAS

-  1 OFS International (Houston, USA)
-  2 Truboplast
-  3 TMK NGS – Nizhnevarovsk
-  4 TMK NGS – Buzuluk
-  5 TMK Completions
-  6 Threading and Mechanical Key Premium (UEA)

## RESEARCH AND DEVELOPMENT

-  1 R&D Centre (Houston, USA)
-  2 Russian Research Institute for the Pipe Industry
-  3 Skolkovo

The company operates more than 30 production sites in Russia, the United States, Canada, UAE, Oman, Romania and Kazakhstan

Capacity in tonnes	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

Source: TMK data

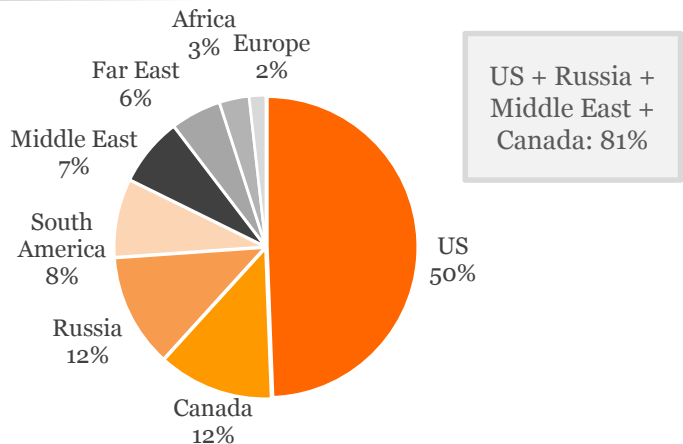
# Leading Global Supplier of Pipe for Oil and Gas Industry

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



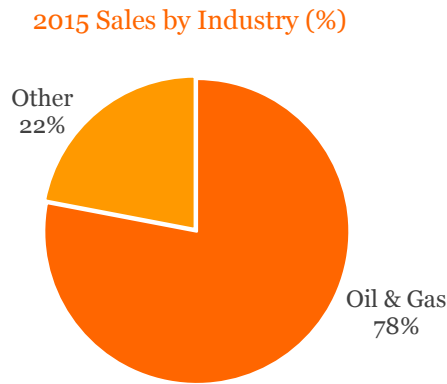
- Local producer in countries which account for 81% of global drilling activity
- High exposure to the oil and gas industry: approximately 78% of sales went to the oil and gas sector in 2015

## 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



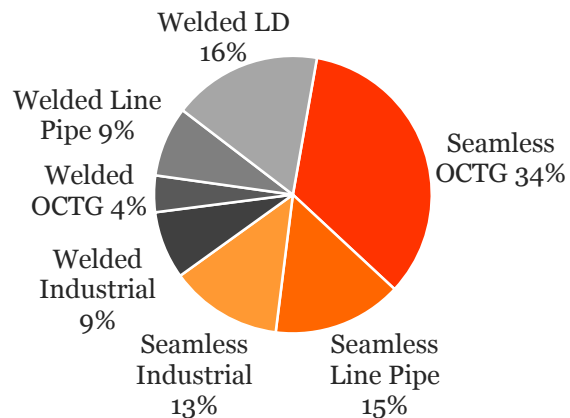
Source: TMK data

# Diversified Business Model



## Diversified product portfolio and customer base

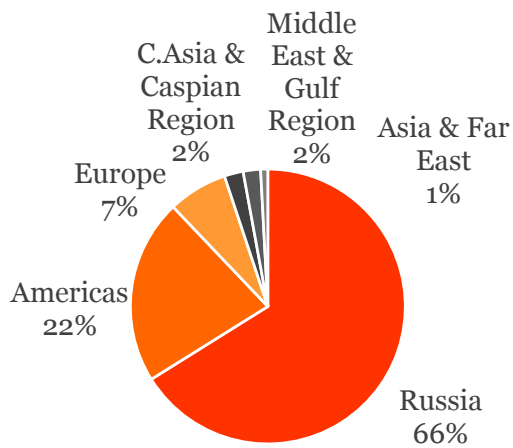
Sales by product (FY 2015)



Source: TMK data

## Diversified geographical reach

TMK revenues by country (FY 2015)



Source: TMK data

## Key Considerations

- High degree of diversification enabling earnings resilience.
- Geographical diversification seeking to mitigate swings in geographical demand (Russian division 66% and American division 22% of 2015 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 39% of sales for FY2015).
- Long-term relationships with Russian oil and gas majors (Rosneft, Gazprom, Surgutneftgas and Lukoil).

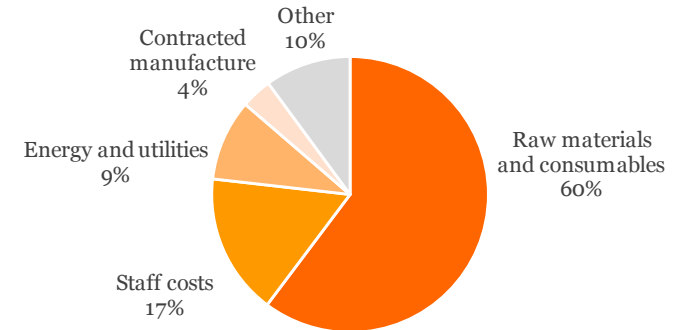
# Low Cost Vertically Integrated Producer

## 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.
- 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

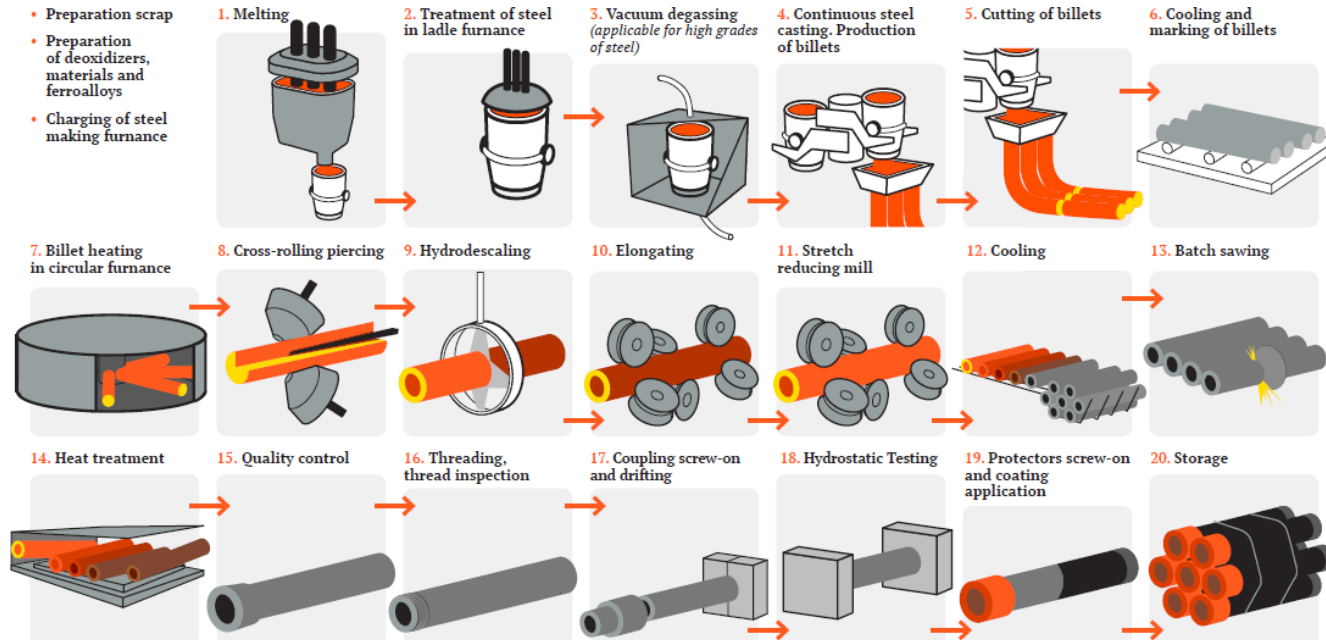
## Raw materials costs can generally be passed through to customers

Cost of sales structure (1Q 2016)



Note: Excluding depreciation and amortisation  
Source: TMK IFRS accounts

## Vertical integration in seamless business



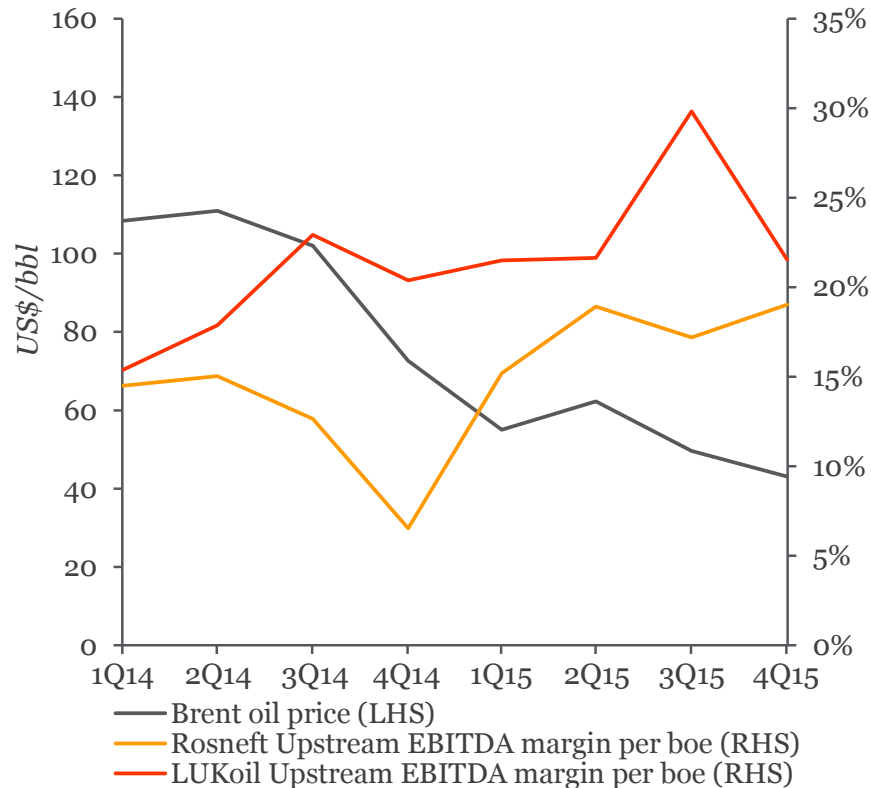
Source: TMK

## Russian Market Overview

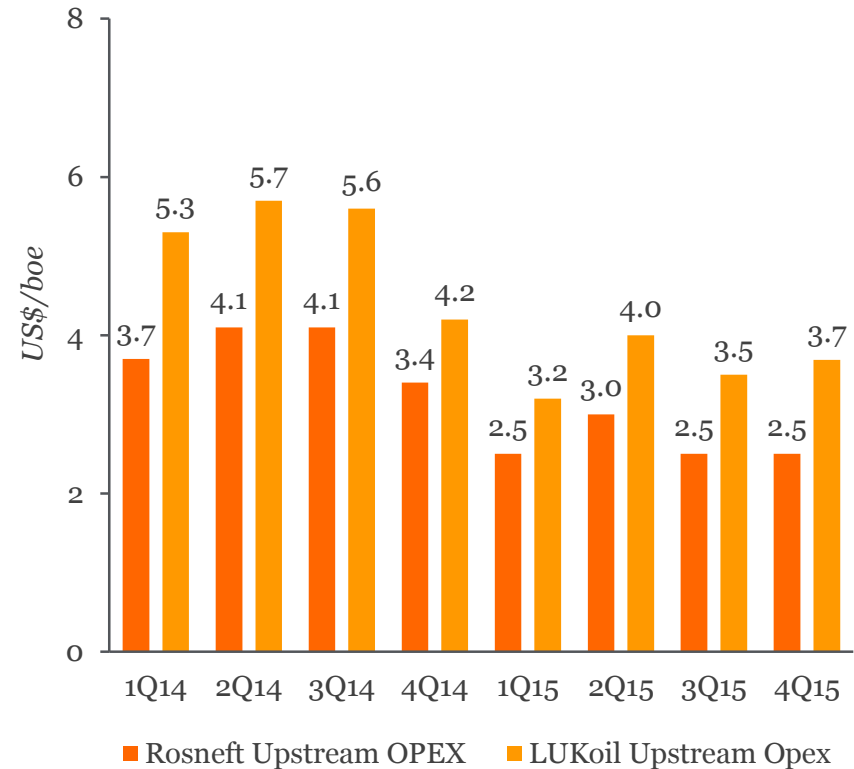
---

# Russian Upstream Oil Sector Remains Profitable

## Russian upstream EBITDA resilience...



## ... is supported by low 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 formulae:  $EBITDA = Net\ Income + Income\ Tax + Interest\ Expense + DD\&A$ , for 4Q15 calculated as per IFRS statements EBITDA for FY15. 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:
  - An automatically-adjusting tax regime, which absorbs significant part of the oil price fall;
  - Freely floating RUB, which cut OPEX.



# Resilient Russian Market with Historic Record High Oil Production and Drilling Activity

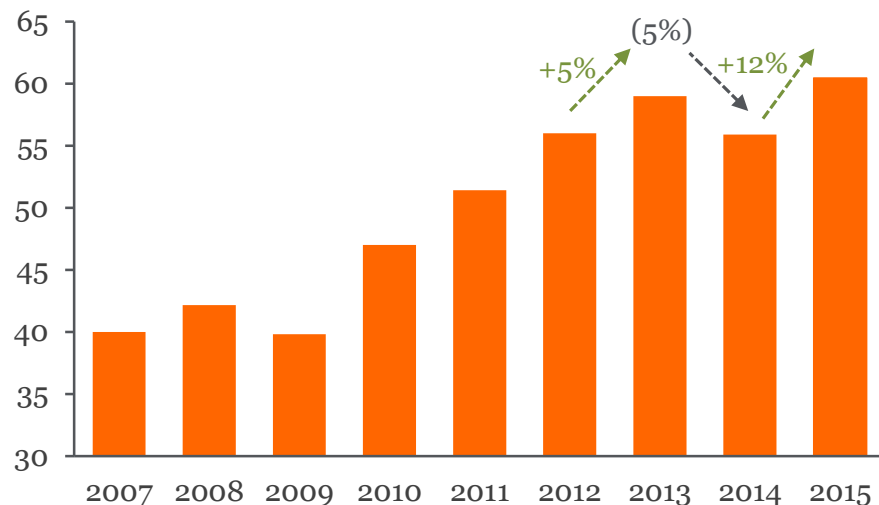


## Russian total oil output is reaching record highs, mmbpd



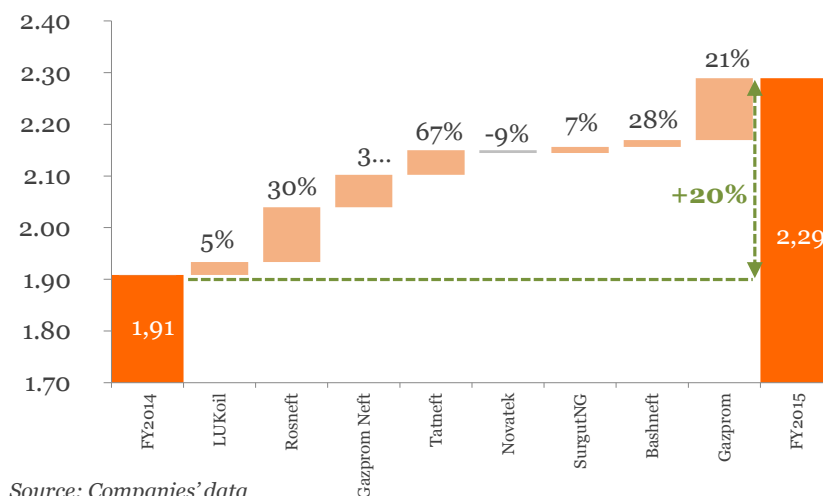
Source: Interfax, Info TEK

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



Source: CDU TEK

## Cumulative Upstream CAPEX Budget Growth broken down, RUB trn

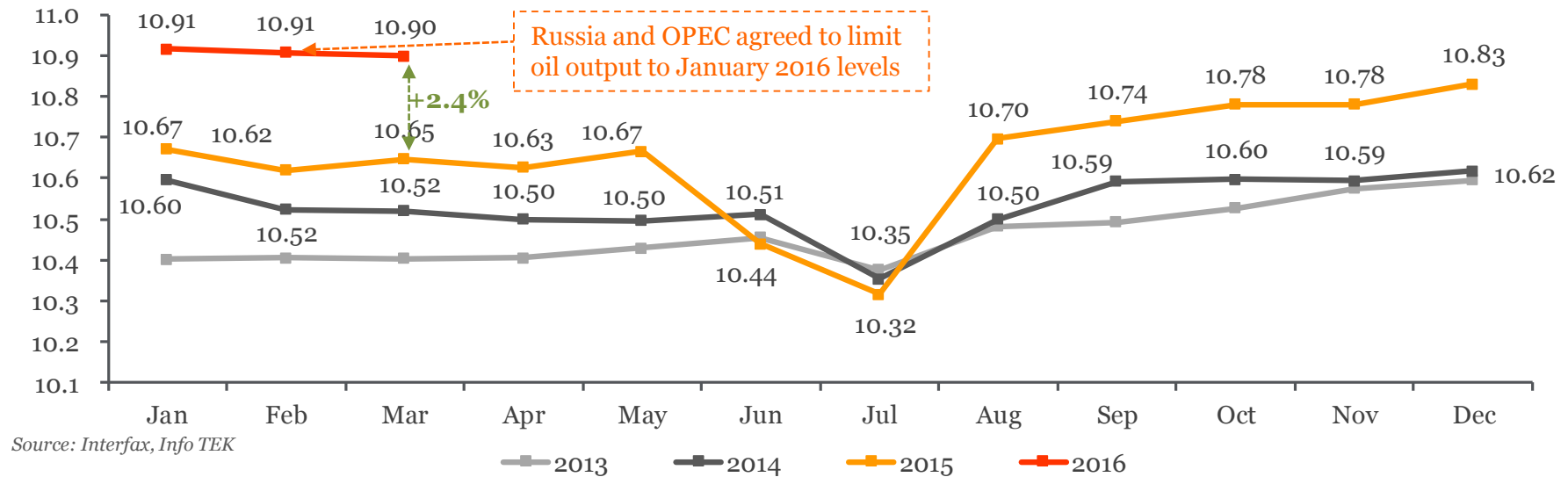


Source: Companies' data

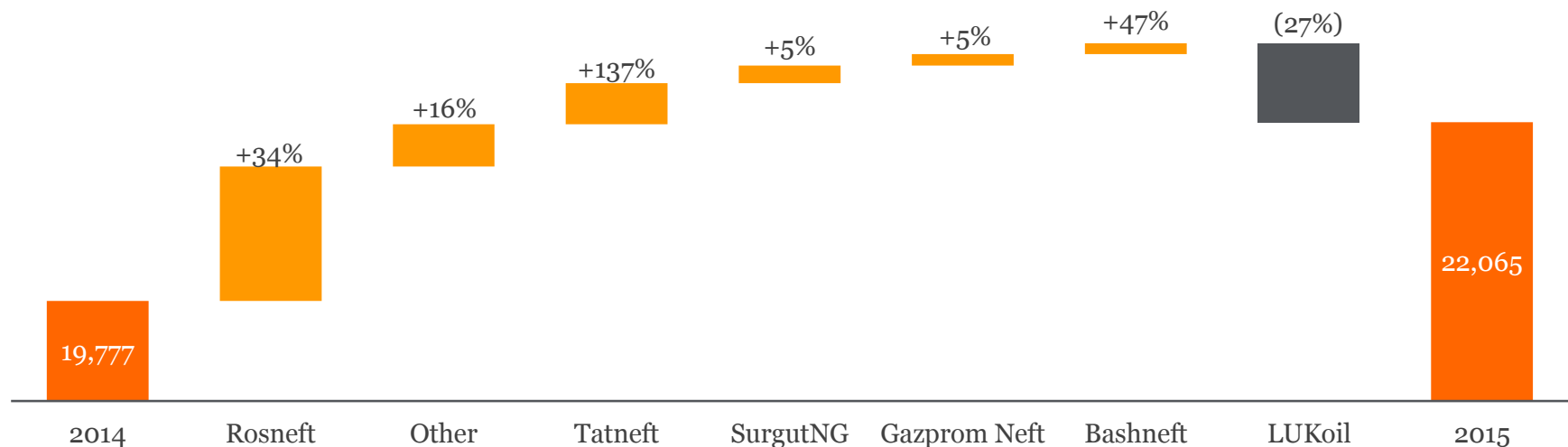
Note: for E&P CAPEX proxy for Tatneft and Novatek are taken overall CAPEX for 2015 and 2014.

# Russian Oil Production Supported by Strong Drilling Activity

Russian total oil output, mmbpd



2015 Russian drilling growth broken down, km



Source: CDU TEK

# Russian Market Share Positions for 1Q 2016



## SEAMLESS

**OCTG 62%**



**-1% YoY**

Seamless OCTG for oil and gas



**Line pipe 62%**



**+4% YoY**

Seamless line pipe for oil and gas



**Industrial pipe 38%**



**-6% YoY**

High-margin products for industrial needs



## WELDED

**Large diameter pipe 18%**

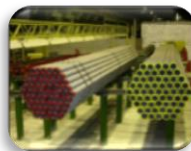


**-2% YoY**

Large diameter pipe for projects



**Line pipe 29%**



**+8% YoY**

Welded line pipe for oil and gas



**Industrial pipe 8%**



**+0.4% YoY**

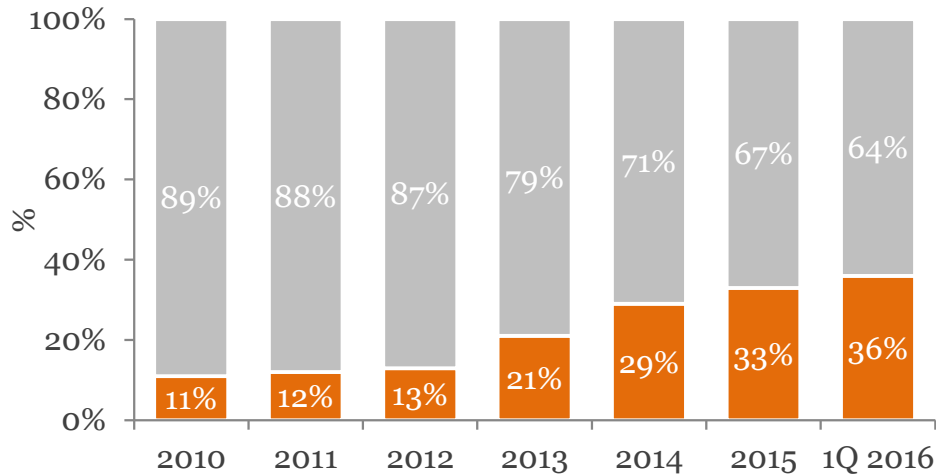
Welded industrial products



Source: TMK estimates

# Shift to Horizontal Drilling

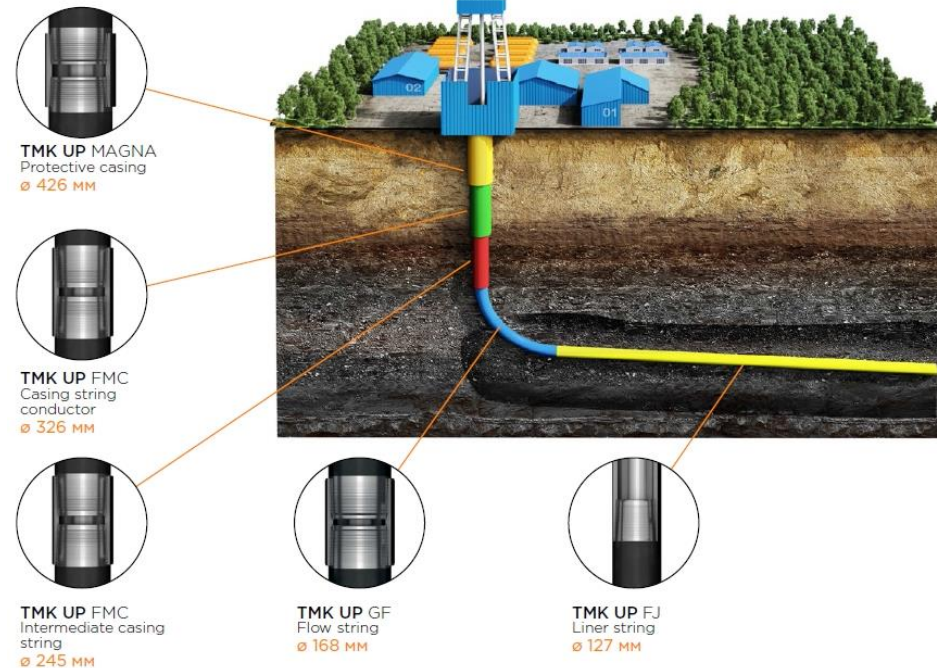
## Horizontal drilling is rising in Russia



Source: CDU TEK

- Horizontal drilling enables operators to target a larger area of oil/gas recovery and achieve a higher flow rate.
- Pad drilling for horizontal wells delivers greater efficiency and cost saving, small footprint.
- Safety regulations require use of gastight premium connections when the gas-oil ratio is high.
- Growth of directional and horizontal drilling increases well depth with a growing share of high-end OCTG used in the string.

- 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.



# 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



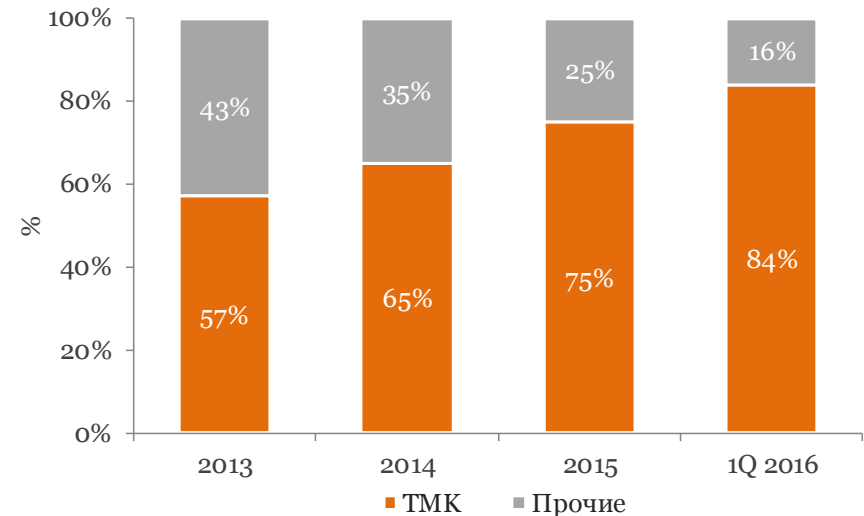
Ability to withstand high tension, compression and bending loads at excessive internal and external pressure.

### Special Series



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

## TMK's share on the premium market



Source: TMK estimates

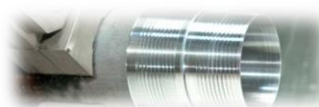
- TMK is a leader in production of premium tubular products on the Russian market with around 84% market share for 1Q 2016.
- New product 1: **TMK UP TORQ** - High Torque
- New product 2: **TMK UP CENTUM** – 100%

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



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

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



For the 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
- Considerations on uses 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 new types of premium threaded connections

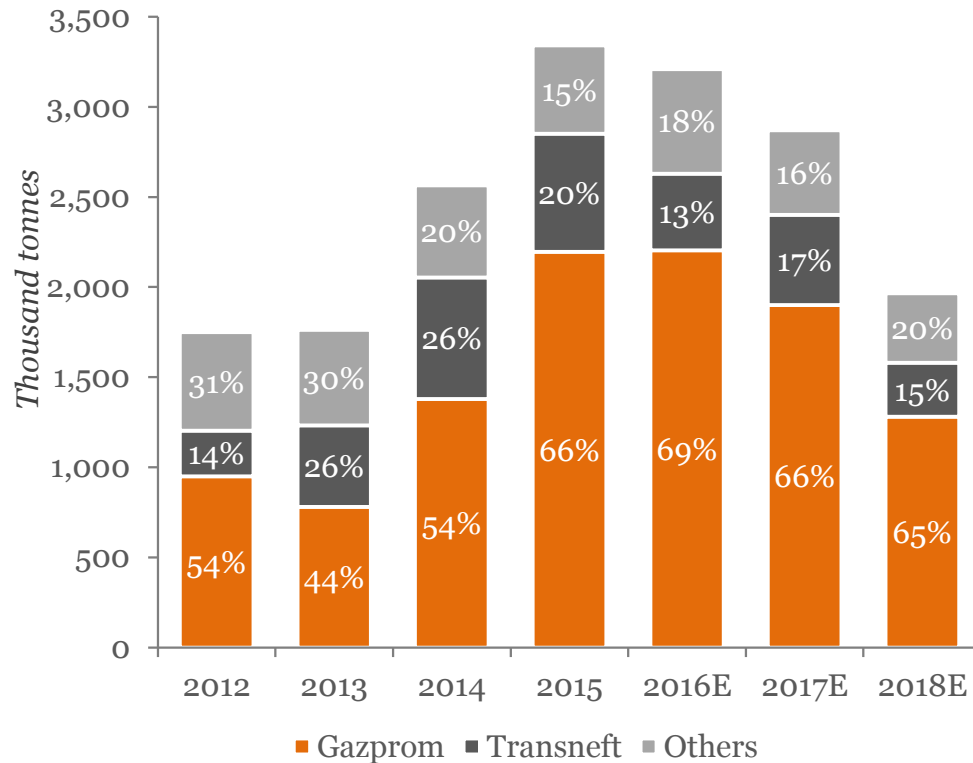
## Shipments to LUKoil

- 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 a part of broader TMK's 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 2.8-3 million tonnes.
- Major projects planned: Power of Siberia (GAZP), Power of Siberia-2 (GAZP), Nord Stream-2, maintenance needs of Transneft and Gazprom.



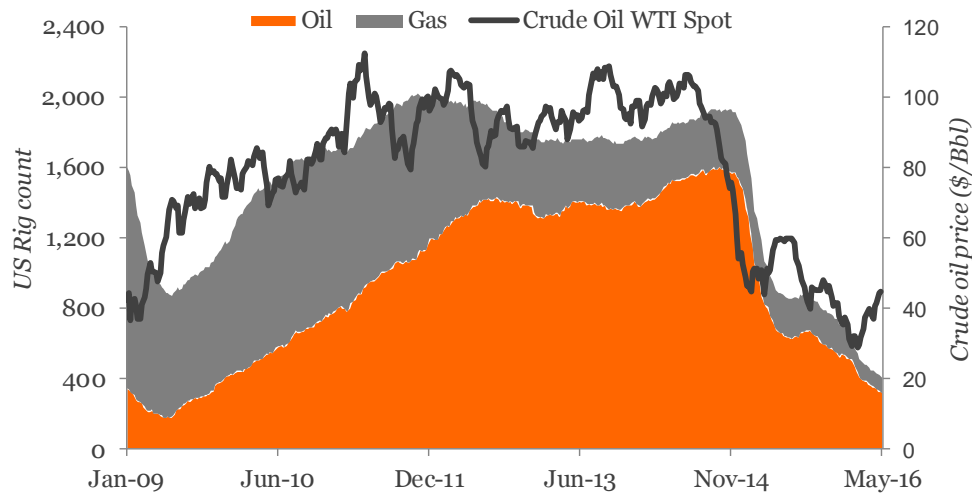
## U.S. Market Overview

---



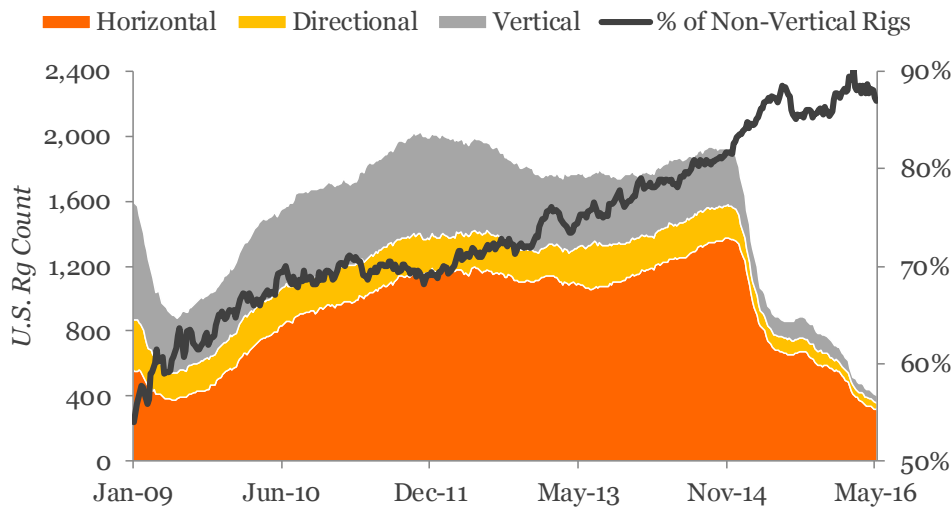
# Industry Performance Review: 2016 Another Challenging Year

## Drop in rig count followed drop in oil prices



Source: Baker Hughes, Bloomberg

## Vertical drilling is more severely affected

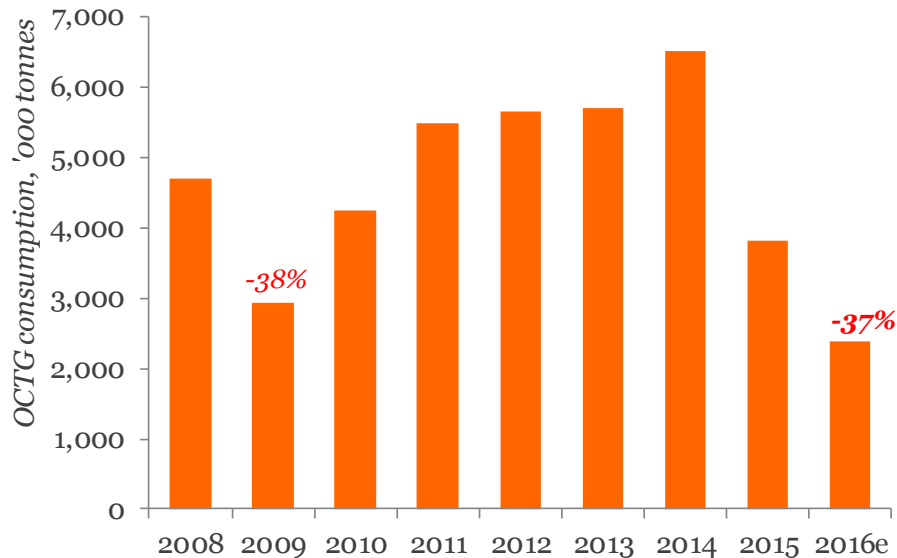


Source: Baker Hughes

- Average number of rigs in 1Q2016 decreased by 27% QoQ and dropped by 61% for 1Q2016 over 1Q2015 to 551.
- The current rig count is still pointing to US production declining sequentially between 1Q16 and 4Q15.
- The decline in drilling has been more extreme in vertical rigs.
- Generally, vertical rigs consume more welded, lower value pipe.

# Impact on US OCTG Demand

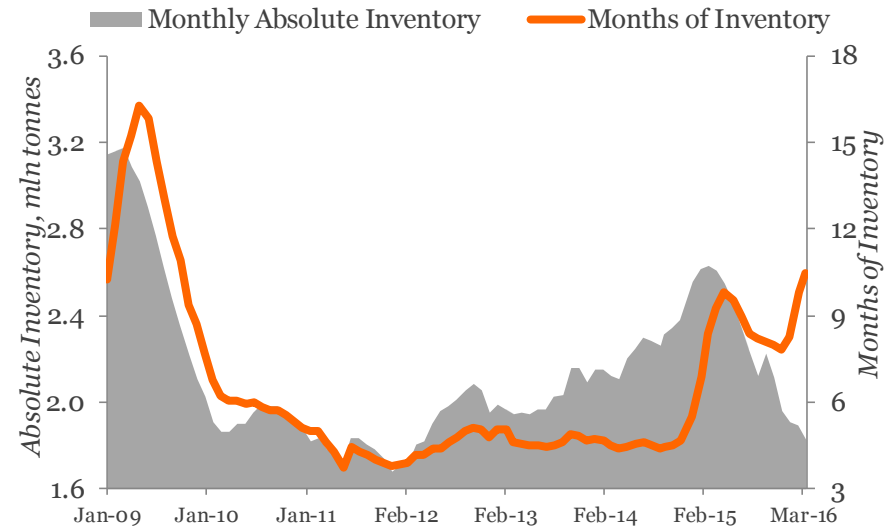
**1Q 2016 forecast remains unchanged, with OCTG consumption expected to drop sharply**



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 9.5 months in 1Q 2016**



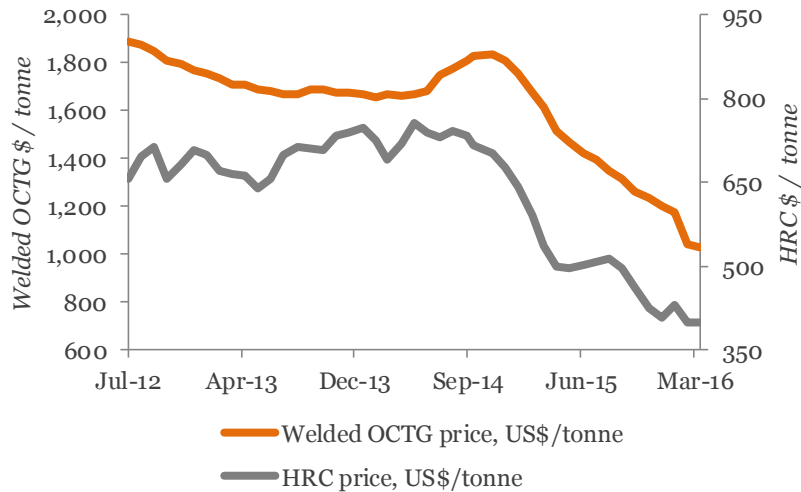
Source: Preston Pipe & Tube Report

- US demand for OCTG remained low through the end of the year as drilling volumes continued to decline.
- OCTG pricing declined in the first 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

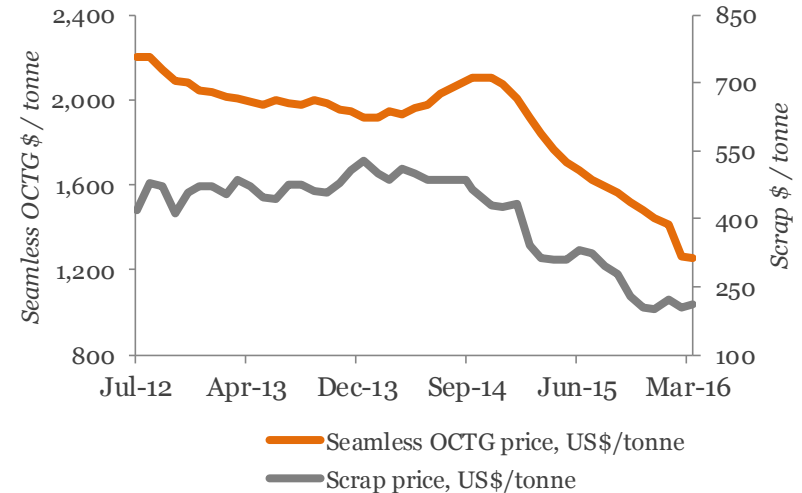
(Monthly Average)



Source: Pipe Logix, HRC Midwest CRU Prices

## US distributor seamless OCTG vs. scrap prices

(Monthly Average)



Source: Pipel Logix, AMM

- According to Pipe Logix, in 1Q 2016, the average composite OCTG seamless and welded prices decreased by 6% and 7% respectively, compared to 4Q2015. For 1Q 2016, both prices fell by 30% over the same period of 2015.
- In 1Q 2016, HRC prices decreased by 26%, over 1Q 2015, to \$397, while scrap fell by 38%, to \$205 over the same period.

## Cost-cutting is the order of the day

- Cost of drilling came **down by 20-25%**.
- Well completion costs in the Bakken **declined by 30%** during 1Q2015, **up to 35%** elsewhere.
- Falling costs and better takeaway capacity from new pipelines allow producers to keep wells profitable in the face of low prices.
- “We’ve seen price reductions, but we’ve also seen improved efficiencies,” Exxon Mobil Corp CEO Rex Tillerson said.



Source: The Bakken Magazine: “Halcon’s Bakken Well Cost Decline as Production Increases.”, Reuters

## Reduced drill time

- Reduced the time it takes to drill a rig **down to a low of 4 days** through technological advancements and better planning.
- Apache’s **fracking costs fell 30%**, while drilling costs have tumbled 20% in the shales.
- Statoil cut the average cost of drilling LTO from \$4.5 million to \$3.5 million (23%).



Source: NYT: “Drillers Answer Low Prices with Cost-Saving Innovations.”

## Water conservation and recycling

- Cut overall water use by 12%.
- Cut labor costs by 34%.
- Not hauling in fresh water cuts the cost per barrel of oil by \$3.
- Restoring habitats helps reduce runoff, environmental footprint and recharges the groundwater.
- Anadarko is **reusing 100%** of the frack water that flows back from its wells.



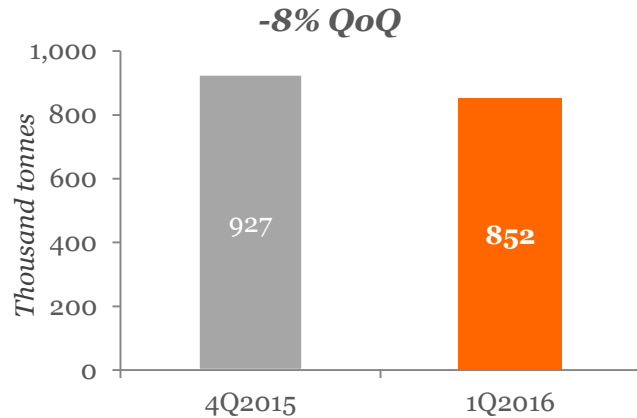
Source: Reuters

## 1Q 2016 Summary Financial Results

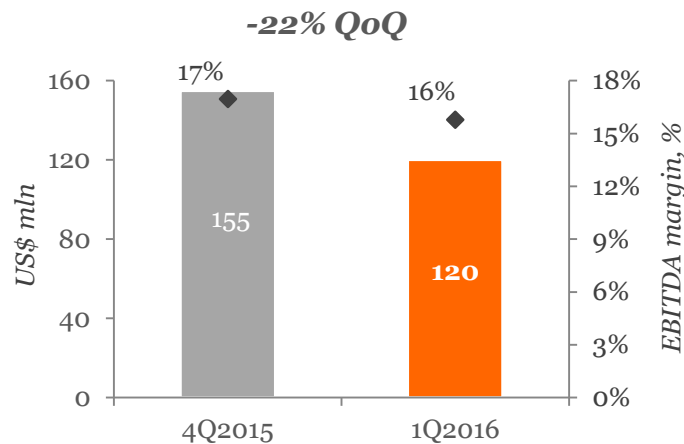
---

# 1Q 2016 vs. 4Q 2015 Summary Financial Highlights

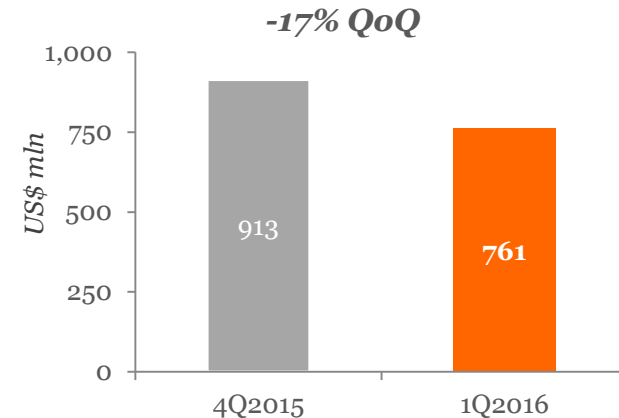
**Sales** decreased QoQ, due to lower pipe sales at the Russian and American division



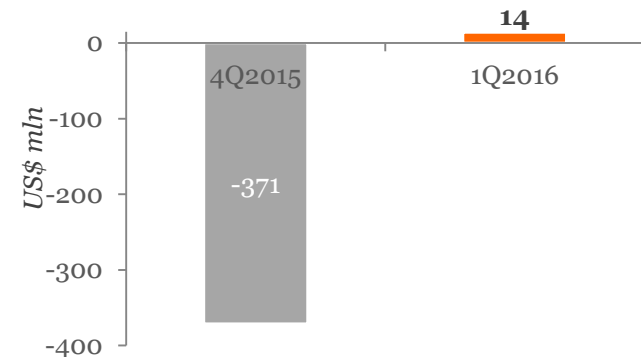
**Adjusted EBITDA** decreased QoQ, largely due to a negative result at the American division on the back of unfavorable market conditions and a negative effect of currency translation



**Revenue** was down QoQ due to a further decline in sales at the American division and a negative effect of currency translation

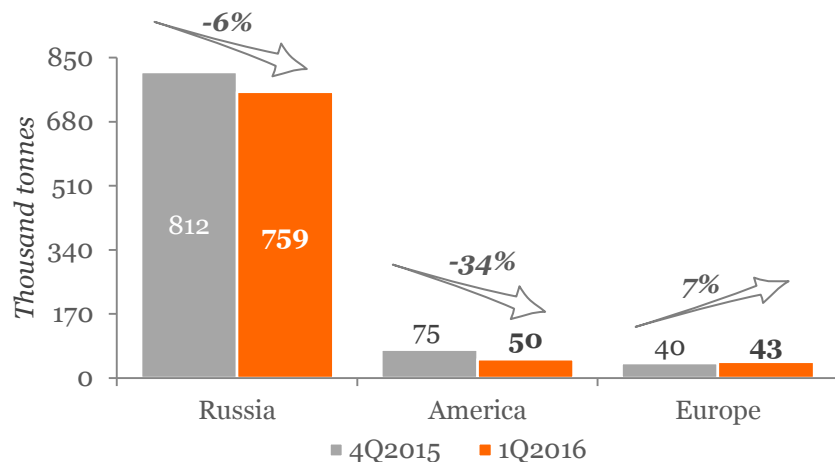


**Net profit** was \$14 million as compared to a net loss of \$371 million for 4Q 2015, resulted mostly from impairment loss



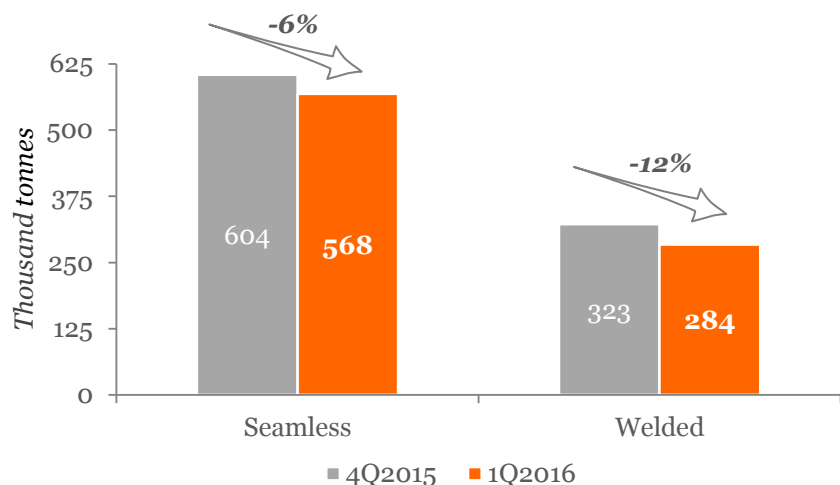
# 1Q 2016 vs. 4Q 2015 Sales by Division and Group of Product

## Sales by division



- Russian division sales decreased QoQ, partially due to decreased LD pipe sales against the record-high consumption of LDP pipe in 4Q 2015.
- American division sales continued to decline, predominantly in OCTG, on the back of challenging market conditions.
- European division sales increased by 7% QoQ, as a result of higher seamless pipe volumes.

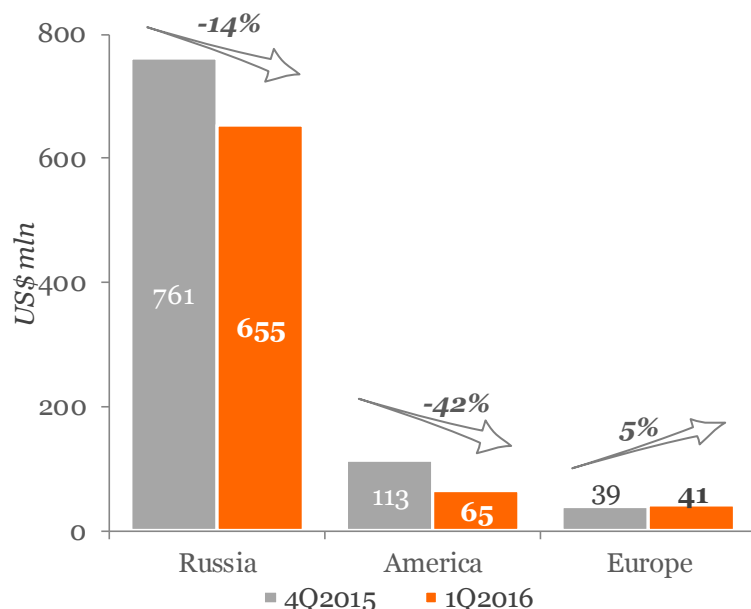
## Sales by group of product



- Seamless pipe sales declined QoQ, due to lower OCTG volumes at the American division and weaker line pipe sales at the Russian division.
- Welded pipe sales decreased QoQ, mostly due to lower LD pipe volumes at the Russian division and a further decline in OCTG sales at the American division.
- Total OCTG sales decreased by 10% QoQ, due to weak sales at the American division.

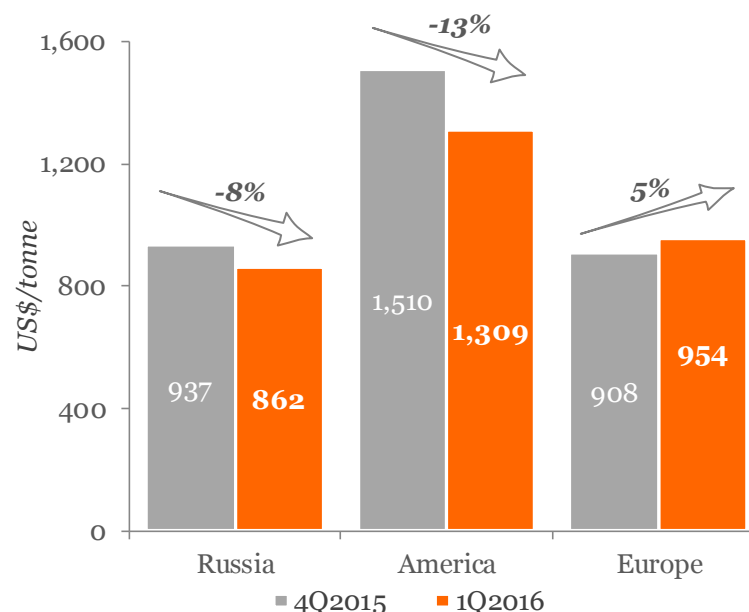
# 1Q 2016 vs. 4Q 2015 Revenue by Division

## Revenue



- Revenue for the Russian division decreased QoQ, largely due to a negative effect of currency translation.
- The American division continued to be affected by falling pipe sales, predominantly in OCTG, combined with a further decline in prices.
- 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 decreased QoQ, due to unfavorable product mix in welded pipe as a result of lower share of LDP and a negative effect of currency translation.
- American division revenue per tonne decreased QoQ, as a result of unfavorable pricing environment.
- European division revenue per tonne increased QoQ, mainly due to higher share of seamless pipe in total sales.

Source: Consolidated IFRS financial statements, TMK data

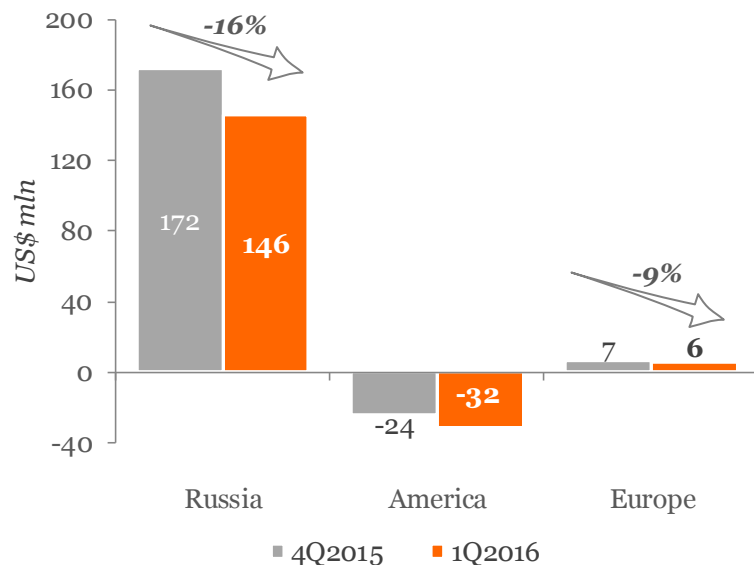
Note:

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.



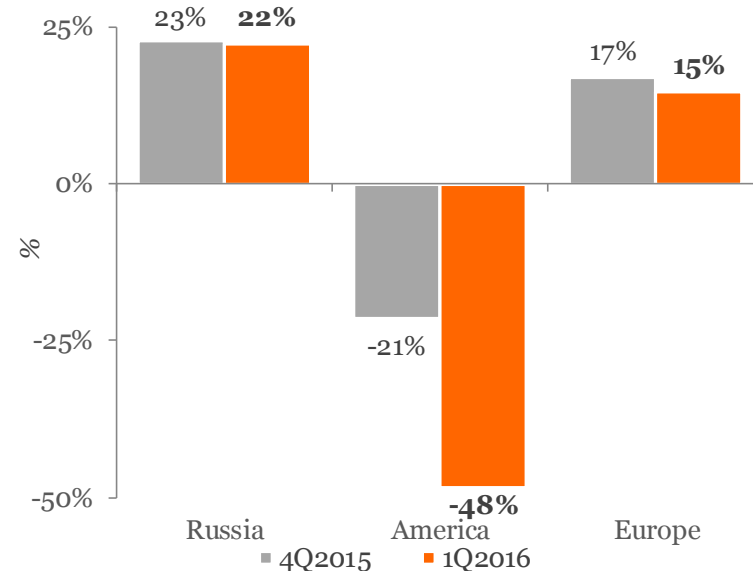
# 1Q 2016 vs. 4Q 2015 Adjusted EBITDA by Division

## Adjusted EBITDA



- Russian division Adjusted EBITDA decreased QoQ, affected by a negative effect of currency translation and unfavorable welded pipe product mix. These were not fully compensated by improved product mix in seamless pipe.
- The American division continued to be affected by falling 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 almost flat QoQ, as a result of improvements to the product mix following increase in share of seamless OCTG in total seamless pipe sales.
- European division Adjusted EBITDA margin decreased QoQ, mainly due to weaker pricing.

Source: TMK Consolidated IFRS financial statements, TMK data

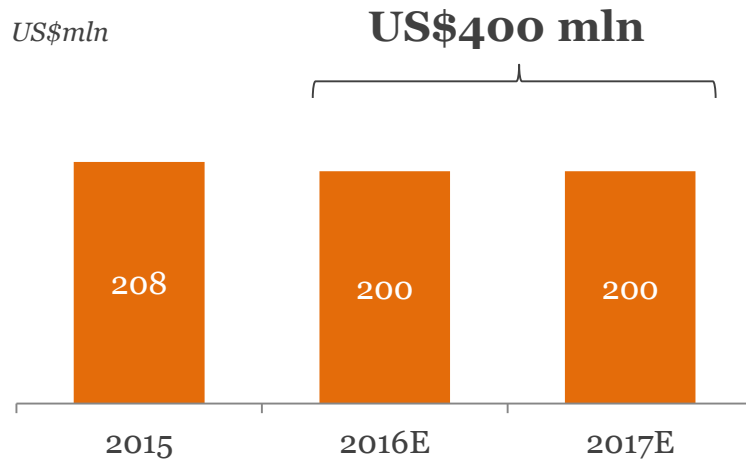
### Note:

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

---

# Revised Capex Program



Source: TMK estimates

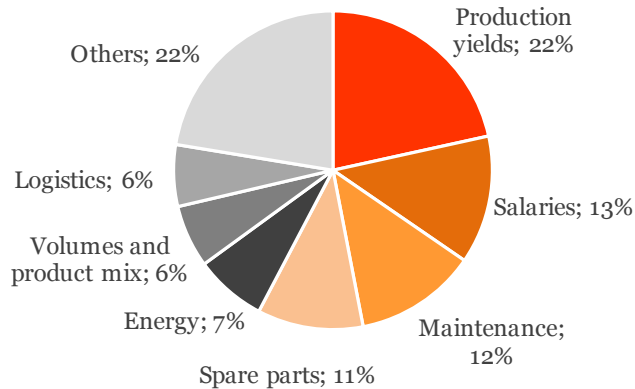
- Total around US\$400 mln capex program for 2016-2017, including approximately US\$100 mln maintenance capex annually.
- Major strategic investment program completed in Autumn 2014.
- Majority of 2016-2017 capex will be spent on finishing capacities like heat treatment and threading lines.



# Ongoing Cost Cutting Program

## 2015 cost cutting program breakdown

**Total effect of around US\$115 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\$115 mln.

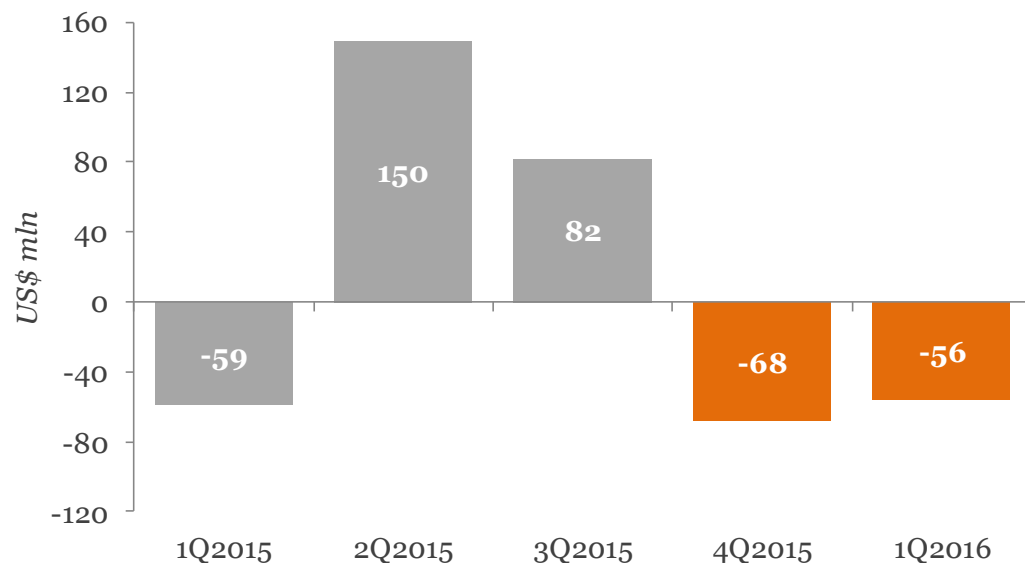
## Ongoing cost cutting measures

Selected Items	Estimated effect on EBITDA, kUS\$	
	2014	2015
Production yields	24,404	24,800
Salaries	21,733	14,991
Volumes and product mix	3,011	7,313
Energy	7,676	8,375
Logistics	9,102	7,202
...	...	...
RUB/USD	38.42	60.96

Source: TMK estimates

# Optimization of Working Capital Position

## Changes in working capital



- In 1Q 2016, there was a working capital build-up in the amount of US\$56 mln.
- For FY 2016 the Company expects some working capital release.

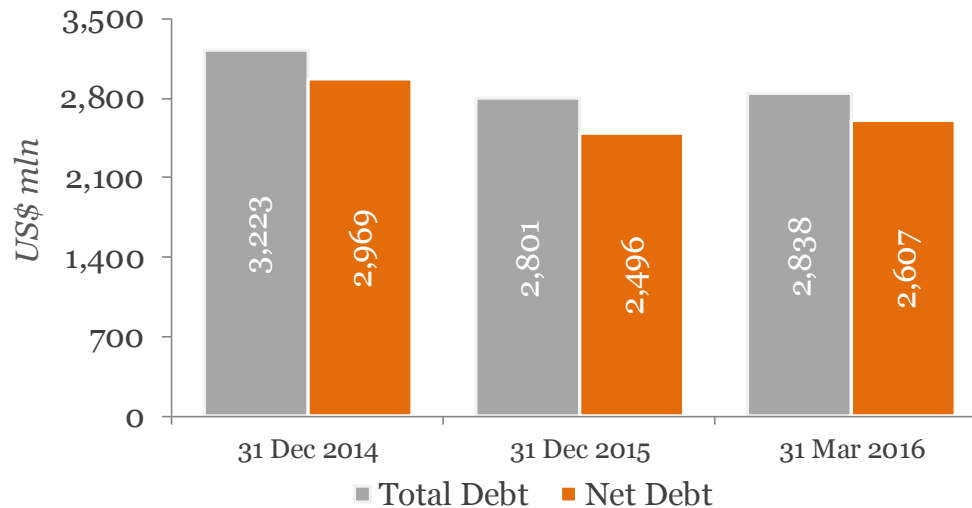
Source: TMK data

US\$ mln	2015				2015	2016
	1Q	2Q	3Q	4Q	12m	3m
Decrease/(increase) in inventories	6	92	( 39)	( 19)	40	40
Decrease/(increase) in trade and other receivables	( 6)	121	49	( 45)	119	( 33)
Decrease/(increase) in prepayments	12	7	( 29)	( 3)	( 12)	( 17)
Increase/(decrease) in trade and other payables	( 46)	( 77)	( 19)	( 6)	( 148)	( 2)
Increase/(decrease) in advances from customers	( 24)	6	120	4	106	( 45)
<b>Working capital, US\$ mln</b>	<b>( 59)</b>	<b>150</b>	<b>82</b>	<b>( 68)</b>	<b>105</b>	<b>( 56)</b>

Source: TMK data

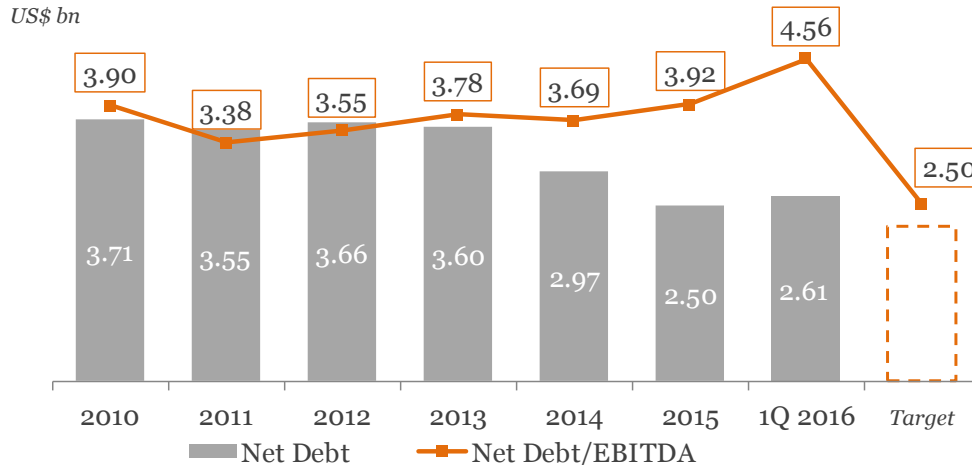
# Commitment to Deleverage

## Continuous decrease of debt level



Source: Consolidated IFRS financial statements

## Target to achieve 2.5x Net Debt/EBITDA

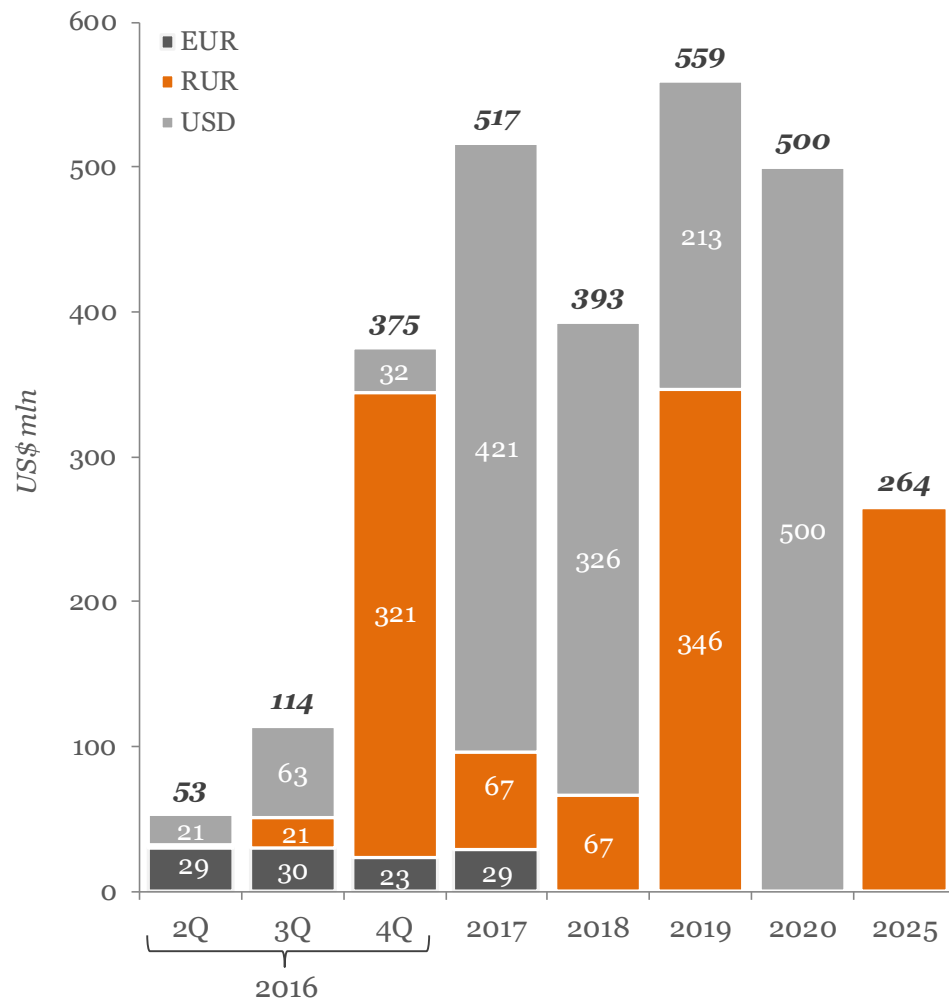


Source: TMK data, TMK estimates

- For 1Q 2016, net repayment of debt amounted to US\$37 mln.
- Target to achieve 2.5x Net Debt-to-EBITDA ratio after recovery followed by continuous stable performance of the American division.
- Deleveraging through paying down debt by up to US\$200 mln annually as well as possible limited equity placement.

# Debt Maturity Profile as at April 30, 2016

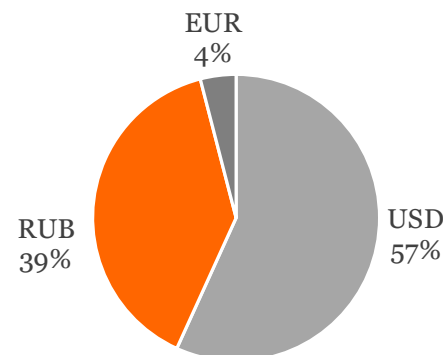
## Debt maturity profile as at April 30, 2016



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

- As at April 30, 2016, total loan portfolio amounted to US\$2,775 mln based on management accounts compared to US\$2,740 mln as at December 31, 2015.
- Weighted average interest rate slightly decreased from 9.06% as at March 31, 2016 to 9.01% as at April 30, 2016.
- Credit Ratings:
  - S&P: B+, Negative;
  - Moody's: B1, Negative.
- In April 2016, TMK completed 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 around US\$400 mln for 2016-2017, which translates to more than 30% decrease compared to initial capex budget.

## Deleveraging

- For 1Q 2016 net repayment amounted to around US\$37 mln.
- Working capital position for FY2016 expected to be on a positive side.
- Payment discipline of the major clients.
- Achieve 2.5x Net Debt/EBITDA ratio after one year of the American division stable performance.

## OFS and premium products

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

## Strengthen positions on local markets

- Gained share on 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

---

# 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

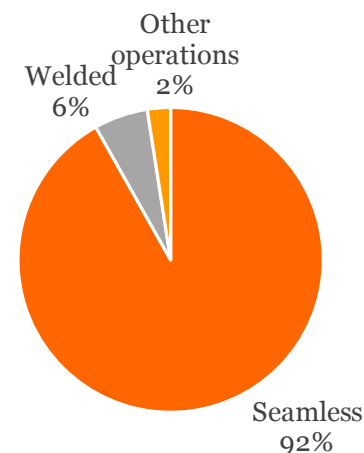
	U.S.\$ mln (unless stated otherwise)	1Q 2016	QoQ, %	YoY, %
SEAMLESS	Sales - Pipes, kt	568	-6%	-10%
	Revenue	523	-14%	-25%
	Gross profit	141	-12%	-22%
	Margin, %	27%		
	Avg revenue/tonne (US\$)	920	-8%	-17%
	Avg gross profit/tonne (US\$)	249	-6%	-14%
WELDED	Sales - Pipes, kt	284	-12%	-24%
	Revenue	205	-22%	-47%
	Gross profit	9	-31%	-86%
	Margin, %	4%		
	Avg revenue/tonne (US\$)	722	-11%	-30%
	Avg gross profit/tonne (US\$)	31	-22%	-82%

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.

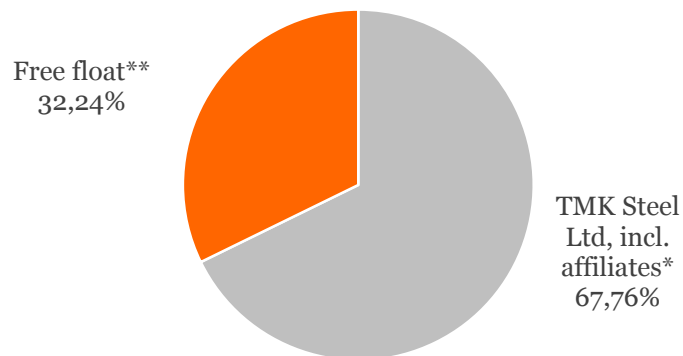
## 1Q 2016 gross profit breakdown



- Sales of seamless pipe generated **69%** of total Revenue in 1Q 2016 compared to 66% in 4Q 2015 and 61% in 1Q 2015.
- Gross Profit from seamless pipe sales represented **92%** of 1Q 2016 total compared to 93% in 4Q 2015 and 72% in 1Q 2015.
- Gross Profit Margin from seamless pipe sales amounted to **27%** in 1Q 2016, slightly above 4Q 2015 and 1Q 2015 of 26%.

## Appendix – Capital Structure and Corporate Governance

## Capital structure as of December 31, 2015



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

\*\*Including shares of VTB (8%) and Rosnano (6%)

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 December 31, 2015 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.
- As of December 31, 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.



## 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.



### **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.

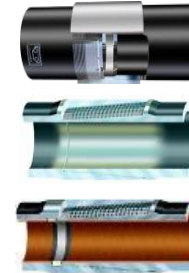
### Large-Diameter



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

### Industrial

## Premium



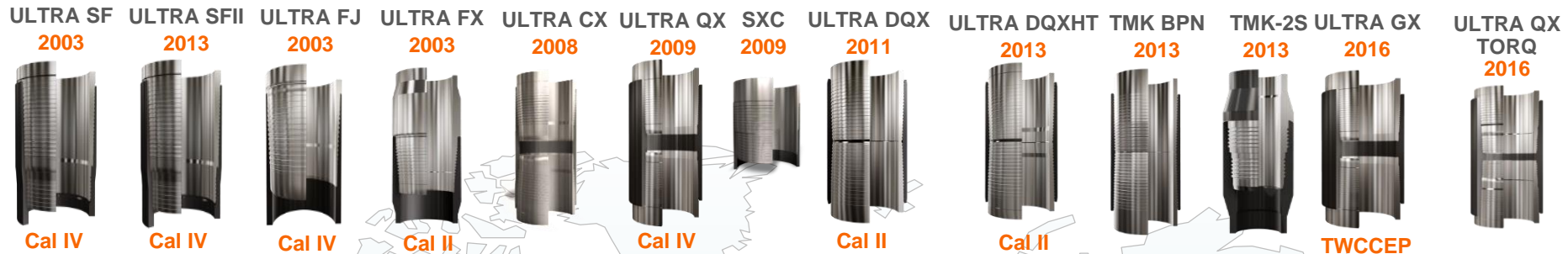
Premium connections are proprietary value-added products used to connect OCTG pipes and are used in sour, deep well, off-shore, low temperature and other high-pressure applications.

### Premium Connections (TMK UP)

## Oilfield Services

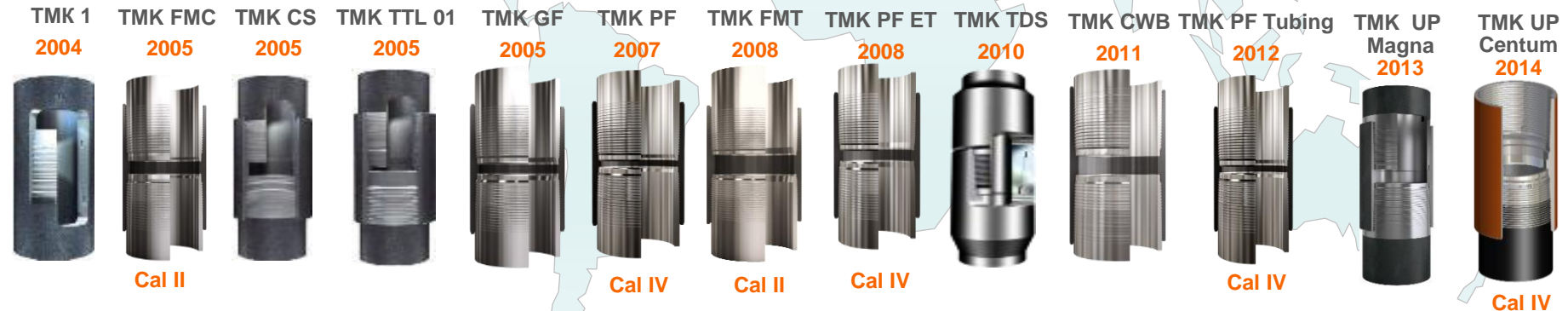
Well equipment precision manufacturing, tools' rental, supervising, inventory management, threading and coating services.





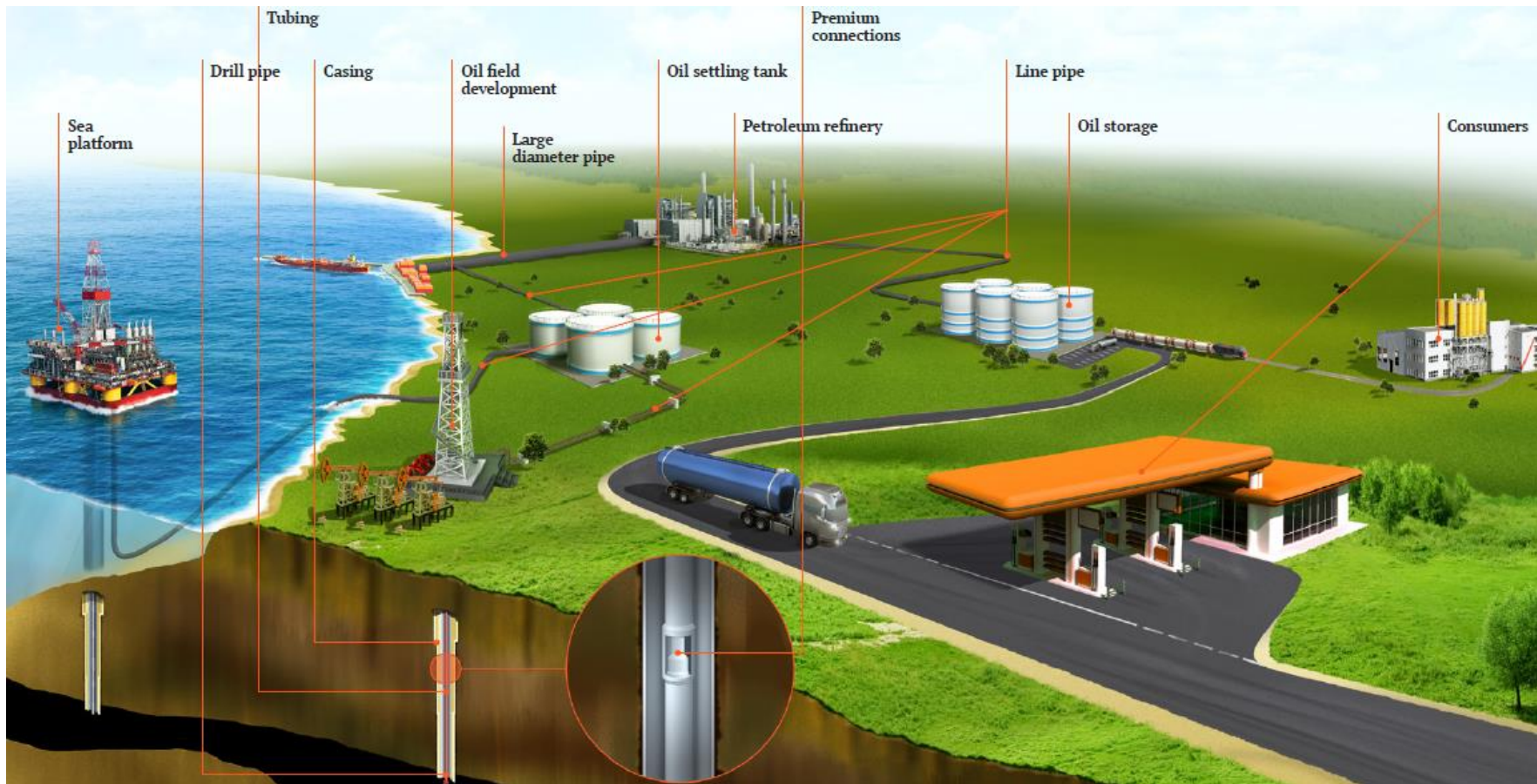
## Unique range of Premium products

- 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 2015);
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas (24% of total sales in 2015);
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products (16% in total sales in 2015).

# Thank You

---

**TMK Investor Relations**

40/2a, Pokrovka Street, Moscow, 105062, Russia

+7 (495) 775-7600

[IR@tmk-group.com](mailto:IR@tmk-group.com)