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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. Camaanche, IA
17. Ambridge, PA
18. Edmonton
19. TMK-RESITA (Romania)
20. TMK-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 IPSCO (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)
14. TMK Middle East (UAE)

**OIL AND GAS**

1. OFS International (Houston, USA)
2. Trubioplast
3. TMK NGS – Nizhnevartovsk
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 ktonnes**

<table>
<thead>
<tr>
<th></th>
<th>Russia and CIS</th>
<th>Europe</th>
<th>North America</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steelmaking</td>
<td>2,850</td>
<td>450</td>
<td>450</td>
<td>3,750</td>
</tr>
<tr>
<td>Seamless Pipe</td>
<td>2,459</td>
<td>220</td>
<td>360</td>
<td>3,039</td>
</tr>
<tr>
<td>Welded Pipe</td>
<td>2,095</td>
<td>-</td>
<td>1,045</td>
<td>3,140</td>
</tr>
<tr>
<td>Heat treat</td>
<td>1,530</td>
<td>90</td>
<td>608</td>
<td>2,228</td>
</tr>
<tr>
<td>Threading</td>
<td>1,243</td>
<td>-</td>
<td>1,085</td>
<td>2,328</td>
</tr>
</tbody>
</table>

Source: TMK data
Russian Market Overview
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

Supported by Russian upstream EBITDA resilience

Source: Company data
Note: LUKoil numbers include overseas operations, which contribute c.20% of production
Russian Oil Production Supported by Strong Drilling Activity

Russian total oil output, mmbpd

2015 Russian drilling growth broken down, km

Source: CDU TEK

Russia and OPEC agreed to limit oil output to January 2016 levels

Source: Interfax, Info TEK

2014 Rosneft Other Tatneft SurgutNG Gazprom Neft Bashneft LUKoil 2015

+34% +16% +137% +5% +5% +47% (27%)

19,777 22,065

Source: CDU TEK
9m2015 upstream CAPEX grew by 17% YoY in RUB terms.

Growing CAPEX in RUB terms should further support activity at the field level.
Strengthening Position on the Domestic Market

TMK share of seamless OCTG is growing

Source: TMK estimates

- Ruble depreciation gives the Russian division new opportunities in export and domestic markets.
- Russian tube & pipe imports decreased by 42% for FY2015.
- Imports of OCTG declined by more than 60%.
- Key premium supplier for the Russian independent and state owned oil&gas companies.
Russian Market Share Positions for FY2015

**Seamless**

- **OCTG 65%**
  - Seamless OCTG for oil and gas
  - +4% YoY
- **Line pipe 60%**
  - Seamless line pipe for oil and gas
  - +0.4% YoY
- **Industrial pipe 41%**
  - High-margin products for industrial needs
  - +8% YoY

**Welded**

- **Large diameter pipe 18%**
  - Large diameter pipe for projects
  - +2% YoY
- **Line pipe 22%**
  - Welded line pipe for oil and gas
  - -3% YoY
- **Industrial pipe 9%**
  - Welded industrial products
  - -1% YoY

*Source: TMK estimates*
Shift to Horizontal Drilling

Horizontal drilling is increasing in Russia

- 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.

- 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.

Source: CDU TEK

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Source: CDU TEK
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 75% market share for FY2015.
- New product 1: **TMK UP TORQ** - High Torque
- New product 2: **TMK UP CENTUM** – 100%

Source: TMK estimates
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

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

Source: TMK data

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

For the current and newly developed projects, including:

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

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- Chayandinskoye field
- Kovyktinskoye field
- Power of Siberia
- Offshore projects
Gazprom’s Eastern Program Creates Additional Demand

LDP demand in Russia, 2012-2018E

- Annual LDP demand for the nearest four years could amount to approximately 2.8-3 million tonnes.

Source: TMK estimates
U.S. Market Overview
2015 Industry Performance Review: A Challenging Year

Drop in rig count followed drop in oil prices

- Average number of rigs in 4Q2015 decreased by 13% QoQ and dropped by 47% for FY2015 over FY2014 to 978.

- The current rig count is still pointing to US production declining sequentially between 4Q15 and FY15.

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

OCTG pricing declined in the fourth quarter of 2015 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 stabilisation, 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

- According to Pipe Logix, in 4Q 2015, the average composite OCTG seamless and welded prices decreased by 7% and 9% respectively, compared to 3Q2015. For FY 2015, both prices fell by 17% over the same period of 2014.

- In December 2015, HRC prices decreased by 4%, over the previous month, to $370, while scrap fell by 2%, to $181 over the same period.

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

Source: PipeLogix, AMM
Producers’ Response

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.

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%).

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

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

Source: Reuters
FY 2015 Financial Results
FY 2015 vs FY 2014 Summary Financial Highlights

**Sales** decreased YoY, due to lower pipe volumes in the American division, caused by unfavorable market conditions.

**Adjusted EBITDA** decreased YoY, mainly due to weaker results of the American division.

**Revenue** fell YoY, mainly due to a sharp decline of sales in the American division and a negative effect of currency translation.

**Net loss** was $368 million as compared to $217 million for FY 2014, affected by a foreign exchange loss and impairment charges.

*Source: TMK data*
FY 2015 vs FY 2014 Sales by Division and Group of Product

Sales by division

- Russian division sales grew by 2% YoY, driven mainly by high LDP demand.
- American division sales dropped by 57% YoY, mainly due to lower volumes in the OCTG segment and unfavorable pricing environment.
- European division sales decreased due to lower seamless pipe volumes, resulted from a decline in pipe consumption in the European market.

Sales by group of product

- Seamless pipe volumes decreased YoY, as a result of lower seamless pipe sales in the American division.
- Welded pipe sales decreased YoY, largely due to a sharp decline in welded OCTG volumes in the American division, which was not fully compensated by stronger LD pipe sales in the Russian division.
- Total OCTG sales decreased by 25%, largely as a result of a sharp decline in the American division.

Source: TMK data
Revenue for the Russian division decreased YoY, due to a negative effect of currency translation.

Revenue for the American division dropped YoY, as a result of a significant decrease in volumes of both seamless and welded pipe coupled with weaker pricing.

Revenue for the European division fell YoY, largely due to lower prices for seamless pipe.

- Russian division revenue per tonne fell YoY, primarily due a negative effect of currency translation.
- American division revenue per tonne decreased due to lower prices.
- European division revenue per tonne decreased YoY, as a result of unfavorable pricing environment in the European market.

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.
FY 2015 vs FY 2014 Adjusted EBITDA by Division

Adjusted EBITDA

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>614</td>
<td>629</td>
<td>3%</td>
</tr>
<tr>
<td>America</td>
<td>159</td>
<td>159</td>
<td>0%</td>
</tr>
<tr>
<td>Europe</td>
<td>-23</td>
<td>30</td>
<td>-7%</td>
</tr>
</tbody>
</table>

Adjusted EBITDA margin

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>15%</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>America</td>
<td>9%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>Europe</td>
<td>12%</td>
<td>15%</td>
<td>3%</td>
</tr>
</tbody>
</table>

- Russian division Adjusted EBITDA increased YoY, as a negative effect of currency translation was partially offset by lower selling and administrative expenses.
- American division Adjusted EBITDA dropped YoY, following a sharp decline in sales and pricing.
- European division Adjusted EBITDA fell YoY, partially due to a decline in seamless pipe prices.
- Russian division Adjusted EBITDA margin increased YoY, a result of higher prices and favorable product mix in both seamless and welded segments.
- European division Adjusted EBITDA margin grew YoY, mostly as a result of higher share of seamless pipe volumes in total sales.

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

- Total US$400 mln capex program for 2016-2017, including approximately US$85 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.

Source: TMK estimates
Ongoing Cost Cutting Program

2015 cost cutting program breakdown

*Total effect of around US$115 mln*

- Production yields: 22%
- Salaries: 13%
- Maintenance: 12%
- Spare parts: 11%
- Energy: 7%
- Volumes and product mix: 6%
- Logistics: 6%
- Others: 22%

- 2015 cost cutting program realized by around 130%.
- 2014 cost cutting program was realized by more than 100%.
- Estimated total effect on EBITDA is approximately US$115 mln.

Ongoing cost cutting measures

<table>
<thead>
<tr>
<th>Selected Items</th>
<th>Estimated effect on EBITDA, kUS$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Production yields</td>
<td>24,404</td>
</tr>
<tr>
<td>Salaries</td>
<td>21,733</td>
</tr>
<tr>
<td>Volumes and product mix</td>
<td>3,011</td>
</tr>
<tr>
<td>Energy</td>
<td>7,676</td>
</tr>
<tr>
<td>Logistics</td>
<td>9,102</td>
</tr>
<tr>
<td></td>
<td>...</td>
</tr>
<tr>
<td>RUB/USD</td>
<td>38.42</td>
</tr>
</tbody>
</table>

*Source: TMK estimates*
Optimization of Working Capital Position

Changes in working capital

- For FY 2015, release of working capital in the amount of US$105 mln:
  - Improved payment discipline of the major clients;
  - Inventory management;
  - Enhancement in trade payables.

- Prepayments will enable incremental reduction of debt.

<table>
<thead>
<tr>
<th>US$ mln</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
</tr>
<tr>
<td>Decrease/(increase) in inventories</td>
<td>(22)</td>
<td>(25)</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other receivables</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Decrease/(increase) in prepayments</td>
<td>6</td>
<td>(3)</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables</td>
<td>(28)</td>
<td>(44)</td>
</tr>
<tr>
<td>Increase/(decrease) in advances from customers</td>
<td>(14)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Working capital, US$ mln</strong></td>
<td>(30)</td>
<td>(67)</td>
</tr>
</tbody>
</table>
Commitment to Deleverage

Continuous decrease of debt level

- For FY 2015, net repayment of debt amounted to US$193 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.

Source: Consolidated IFRS financial statements

Target to achieve 2.5x Net Debt/EBITDA

Source: TMK data, TMK estimates
As of December 31, 2015, total loan portfolio amounted to US$2,738 mln based on management accounts compared to US$3,148 mln as of December 31, 2014.

More than 90% of total bank loans are with the major Russian banks.

Weighted average interest rate increased to 9.06% as of December 31, 2015 compared to 7.26% as of December 31, 2014.

Credit Ratings:
- S&P: B+, Negative;
- Moody’s: B1, Negative.

In October-November 2015, TMK redeemed $91.78 million of $500 million 7.75% loan participation notes due 2018. Following settlement of the transaction outstanding amount of the Eurobonds is $408.22 million.

### Debt currency structure

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR</th>
<th>RUB</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>18</td>
<td>15</td>
<td>62</td>
</tr>
<tr>
<td>1Q</td>
<td>54</td>
<td>29</td>
<td>22</td>
</tr>
<tr>
<td>2Q</td>
<td>103</td>
<td>79</td>
<td>26</td>
</tr>
<tr>
<td>3Q</td>
<td>276</td>
<td>20</td>
<td>59</td>
</tr>
<tr>
<td>4Q</td>
<td>95</td>
<td>18</td>
<td>323</td>
</tr>
<tr>
<td>2017</td>
<td>101</td>
<td>19</td>
<td>414</td>
</tr>
<tr>
<td>2018</td>
<td>562</td>
<td>504</td>
<td>500</td>
</tr>
<tr>
<td>2019</td>
<td>400</td>
<td>163</td>
<td>237</td>
</tr>
<tr>
<td>2020</td>
<td>500</td>
<td>500</td>
<td>233</td>
</tr>
</tbody>
</table>

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

Source: TMK management accounts, TMK estimates
Key Targets and Achievements

**CAPEX**
- Strategic investment program completed.
- Capex program cut to around US$600 mln for 2015-2017, which translates to more than 30% decrease compared to initial capex budget.

**Deleveraging**
- For FY 2015 net repayment amounted to around US$193 mln.
- 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

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

(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

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

*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

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Bank Deposits</td>
<td>305</td>
<td>253</td>
<td>93</td>
<td>225</td>
<td>231</td>
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<tr>
<td>Accounts Receivable</td>
<td>512</td>
<td>728</td>
<td>995</td>
<td>914</td>
<td>772</td>
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<td>Inventories</td>
<td>785</td>
<td>1,047</td>
<td>1,324</td>
<td>1,346</td>
<td>1,418</td>
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<td>Prepayments</td>
<td>113</td>
<td>113</td>
<td>148</td>
<td>180</td>
<td>200</td>
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<tr>
<td>Other Financial Assets</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>4</td>
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</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>1,715</strong></td>
<td><strong>2,142</strong></td>
<td><strong>2,561</strong></td>
<td><strong>2,670</strong></td>
<td><strong>2,625</strong></td>
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</table>

### Assets Classified as Held for Sale

- 2015: 0
- 2014: 0
- 2013: 0
- 2012: 0
- 2011: 0

### Total Non-current Assets

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total Non-current Assets</strong></td>
<td><strong>2,697</strong></td>
<td><strong>3,508</strong></td>
<td><strong>4,857</strong></td>
<td><strong>4,934</strong></td>
<td><strong>4,507</strong></td>
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</table>

### Total Assets

<table>
<thead>
<tr>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>4,412</strong></td>
<td><strong>5,649</strong></td>
<td><strong>7,419</strong></td>
<td><strong>7,603</strong></td>
<td><strong>7,132</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
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<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>682</td>
<td>831</td>
<td>1,111</td>
<td>1,132</td>
<td>1,053</td>
</tr>
<tr>
<td>ST Debt</td>
<td>600</td>
<td>764</td>
<td>398</td>
<td>1,068</td>
<td>599</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>41</td>
<td>48</td>
<td>62</td>
<td>74</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>1,323</strong></td>
<td><strong>1,643</strong></td>
<td><strong>1,571</strong></td>
<td><strong>2,275</strong></td>
<td><strong>1,705</strong></td>
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<tr>
<td>LT Debt</td>
<td>2,201</td>
<td>2,459</td>
<td>3,296</td>
<td>2,817</td>
<td>3,188</td>
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<td>Deferred Tax Liability</td>
<td>110</td>
<td>206</td>
<td>298</td>
<td>302</td>
<td>305</td>
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<tr>
<td>Other Liabilities</td>
<td>64</td>
<td>71</td>
<td>125</td>
<td>125</td>
<td>111</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td><strong>2,374</strong></td>
<td><strong>2,735</strong></td>
<td><strong>3,718</strong></td>
<td><strong>3,244</strong></td>
<td><strong>3,603</strong></td>
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<tr>
<td><strong>Equity</strong></td>
<td>715</td>
<td>1,271</td>
<td>2,130</td>
<td>2,084</td>
<td>1,823</td>
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</table>

Including Non-Controlling Interest

<table>
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Including Non-Controlling Interest</td>
<td>53</td>
<td>66</td>
<td>96</td>
<td>99</td>
<td>92</td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td><strong>4,412</strong></td>
<td><strong>5,649</strong></td>
<td><strong>7,419</strong></td>
<td><strong>7,603</strong></td>
<td><strong>7,132</strong></td>
</tr>
</tbody>
</table>

### Net Debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt</td>
<td>2,496</td>
<td>2,969</td>
<td>3,600</td>
<td>3,656</td>
<td>3,552</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>U.S.$ mln (unless stated otherwise)</th>
<th>4Q 2015</th>
<th>QoQ, %</th>
<th>FY 2015</th>
<th>YoY, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEAMLESS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volumes- Pipes, kt</td>
<td>604</td>
<td>6%</td>
<td>2,410</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>606</td>
<td>3%</td>
<td>2,598</td>
<td>-31%</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>161</td>
<td>2%</td>
<td>657</td>
<td>-28%</td>
<td></td>
</tr>
<tr>
<td>Margin, %</td>
<td>26%</td>
<td></td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg revenue/tonne (US$)</td>
<td>1,003</td>
<td>-2%</td>
<td>1,078</td>
<td>-26%</td>
<td></td>
</tr>
<tr>
<td>Avg gross profit/tonne (US$)</td>
<td>266</td>
<td>-3%</td>
<td>273</td>
<td>-23%</td>
<td></td>
</tr>
<tr>
<td><strong>WELDED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volumes- Pipes, kt</td>
<td>323</td>
<td>-18%</td>
<td>1,461</td>
<td>-21%</td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>262</td>
<td>-11%</td>
<td>1,346</td>
<td>-33%</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>13</td>
<td>-24%</td>
<td>170</td>
<td>-29%</td>
<td></td>
</tr>
<tr>
<td>Margin, %</td>
<td>5%</td>
<td></td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg revenue/tonne (US$)</td>
<td>813</td>
<td>8%</td>
<td>921</td>
<td>-15%</td>
<td></td>
</tr>
<tr>
<td>Avg gross profit/tonne (US$)</td>
<td>40</td>
<td>-8%</td>
<td>116</td>
<td>-11%</td>
<td></td>
</tr>
</tbody>
</table>

**FY 2015 gross profit breakdown**

- Sales of seamless pipe generated 66% of total Revenue in 4Q 2015 and 63% for FY 2015.
- Gross Profit from seamless pipe sales represented 93% of 4Q 2015 total Gross Profit and 78% of FY 2015 total Gross Profit.
- Gross Profit Margin from seamless pipe sales amounted to 26% in 4Q 2015 and 25% for FY 2015.

*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.*
Appendix – Capital Structure and Corporate Governance
Capital Structure

Capital structure 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.

Source: TMK
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.
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.
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.
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.

ALEKSEANDER SHOKHIN, Independent director, Chairman of the Strategy Committee.
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.
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 Sibur.

ROBERT MARK FORESMAN, Independent director, member of the Board of Directors since 2012.
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

<table>
<thead>
<tr>
<th><strong>Seamless</strong></th>
<th><strong>Welded</strong></th>
<th><strong>Premium</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OCTG</strong></td>
<td><strong>OCTG</strong></td>
<td><strong>Premium Connections (TMK UP)</strong></td>
</tr>
<tr>
<td>Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.</td>
<td>Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.</td>
<td>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.</td>
</tr>
<tr>
<td>The short-distance transportation of crude oil, oil products and natural gas.</td>
<td>The short-distance transportation of crude oil, oil products and natural gas.</td>
<td><strong>Oilfield Services</strong></td>
</tr>
<tr>
<td><strong>Line Pipe</strong></td>
<td><strong>Line Pipe</strong></td>
<td>Well equipment precision manufacturing, tools’ rental, supervising, inventory management, threading and coating services.</td>
</tr>
<tr>
<td>Automotive, machine building, and power generation sectors.</td>
<td>Construction of trunk pipeline systems for the long distance transportation of natural gas, crude oil and petroleum products.</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td><strong>Large-Diameter</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wide array of applications and industries, including utilities and agriculture.</td>
<td></td>
</tr>
</tbody>
</table>
Premium Solutions: TPK 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 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).
Appendix – TMK Diversified Business Model
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

Sales (thousand tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Seamless pipe</th>
<th>Welded pipe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,119</td>
<td>1,843</td>
</tr>
<tr>
<td>2011</td>
<td>2,342</td>
<td>1,844</td>
</tr>
<tr>
<td>2012</td>
<td>2,494</td>
<td>1,743</td>
</tr>
<tr>
<td>2013</td>
<td>2,422</td>
<td>1,866</td>
</tr>
<tr>
<td>2014</td>
<td>2,560</td>
<td>1,842</td>
</tr>
<tr>
<td>2015</td>
<td>2,410</td>
<td>1,461</td>
</tr>
</tbody>
</table>

Source: TMK data

- 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)

- US: 50%
- Russia: 12%
- Canada: 12%
- Middle East: 7%
- South America: 8%
- Africa: 3%
- Europe: 2%
- Far East: 6%
- Middle East: 7%

US + Russia + Middle East + Canada: 81%

Note: Excluding China and Central Asia. Onshore and offshore drilling
Source: Spears & Associates

Focus on oil & gas industry

2015 Sales by Industry (%)

- Oil & Gas: 78%
- Other: 22%

Source: TMK data
**Diversified Business Model**

**Diversified product portfolio and customer base**

*Sales by product (FY 2015)*

- Seamless OCTG 34%
- Seamless Line Pipe 15%
- Seamless Industrial 13%
- Welded LD 16%
- Welded OCTG 4%
- Welded Line Pipe 9%
- Welded Industrial 9%

**Diversified geographical reach**

*TMK revenues by country (FY 2015)*

- Russia 66%
- Americas 22%
- Europe 7%
- Asia & Far East 1%
- C.Asia & Caspian Region 2%
- Middle East & Gulf Region 2%

**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.

Vertical integration in seamless business

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

<table>
<thead>
<tr>
<th>Cost of sales structure (FY 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and consumables 66%</td>
</tr>
<tr>
<td>Staff costs 15%</td>
</tr>
<tr>
<td>Energy and utilities 8%</td>
</tr>
<tr>
<td>Repairs and maintenance 2%</td>
</tr>
<tr>
<td>Other 9%</td>
</tr>
</tbody>
</table>

Note: Excluding depreciation and amortisation

Source: TMK IFRS accounts

Source: TMK
Thank You

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