



# TMK IR PRESENTATION

August 2019



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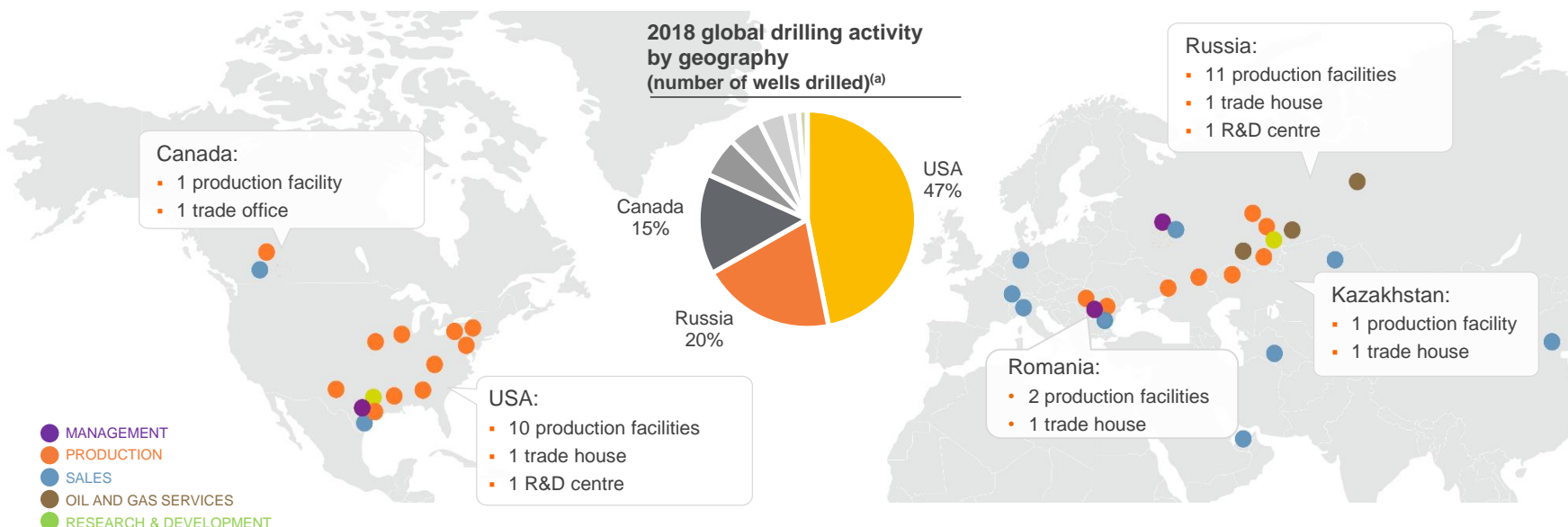


## Company Overview

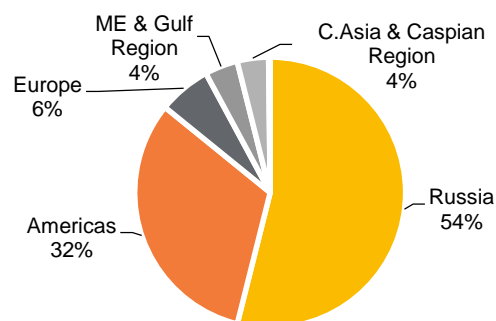


# TMK— Global Supplier of Full Range of Pipes for Oil and Gas Industry

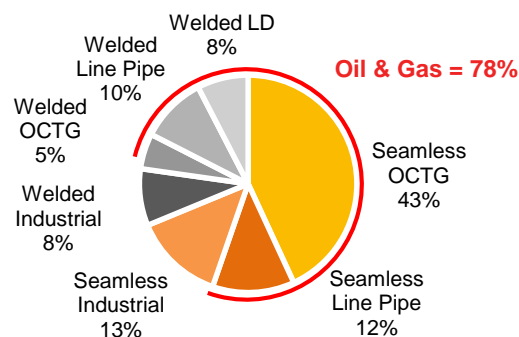
More than 20 production sites in Russia, the USA, Canada, Romania and Kazakhstan, with trade offices in 10 countries



## TMK sales by region (2018)



## TMK sales by product (2018)



## Key financials

(US\$m/ln)	2014	2015	2016	2017	2018
Revenue	6,009	4,127	3,338	4,394	5,099
Adj. EBITDA	829	651	530	605	700
Adj. EBITDA Margin (%)	14%	16%	16%	14%	14%
FCF <sup>(b)</sup>	252	498	395	77	256
Net Profit (Loss)	(217)	(368)	166	30	0
Net Debt	2,969	2,496	2,539	2,688	2,437

Source: Company data

Note: Percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums

(a) Spears & Associates. Excluding China and Central Asia. Onshore and offshore drilling

(b) Calculated as Net cash flows from operating activities plus Net cash flows used in investing activities



# TMK Today – Key Investment Highlights

1

## Industry-leading market position and large modern asset base

- Dominant #1 player in seamless OCTG industry in Russia and Top-3 in the US
- State-of-the-art underutilised production base with major investments completed over 10 years in 2004-14
- Established longstanding relationships with major oil & gas upstream and midstream players

2

## Combined exposure to some of the most attractive and dynamic regional oil & gas markets

- Russia – large low-cost oil producing region; a major market with increased drilling activity in 2017-2018
- TMK - dominant player in Russian oil & gas with 33%<sup>(a)</sup> market share for pipes used in the oil and gas industry, 63%<sup>(a)</sup> market share in seamless OCTG
- US OCTG market is at the recovery stage, following a c.75% demand contraction in 2014-2016 – with shale industry supported by OPEC agreement and conducive political environment under new administration
- TMK – Top-3 US OCTG producer

3

## Low-cost position and stability of margins underpinned by significant vertical integration

- High degree of vertical integration in the seamless business due to in-house steel production
- Ability to pass through costs of steel products – demonstrated by stable margins throughout the cycle
- Substantial improvement in the global competitive positioning on the back of Ruble devaluation in 2014-16

4

## Cost-cutting discipline and consistent focus on de-leveraging

- Cost-cutting programs with Adjusted EBITDA<sup>(b)</sup> effect of US\$100m+ in the each of the past 3 years; disciplined capex
- Continuous reduction in net debt (US\$1bn+ reduction in net debt since 2013)

5

## Superior governance practices and uniquely stable and experienced management team

- Core management team unchanged since IPO in 2006
- 5 Independent Directors on the Board

Source: Company data

Notes: (a) Company estimates for FY 2018

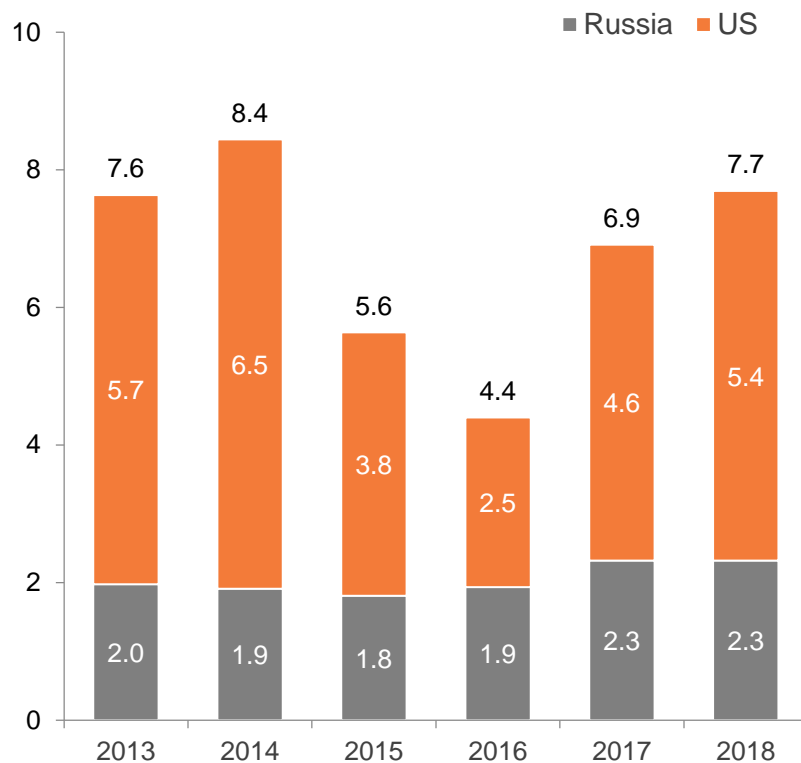
(b) Adjusted EBITDA for TMK represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items



# TMK Market Exposure

## OCTG consumption in Russia and the US

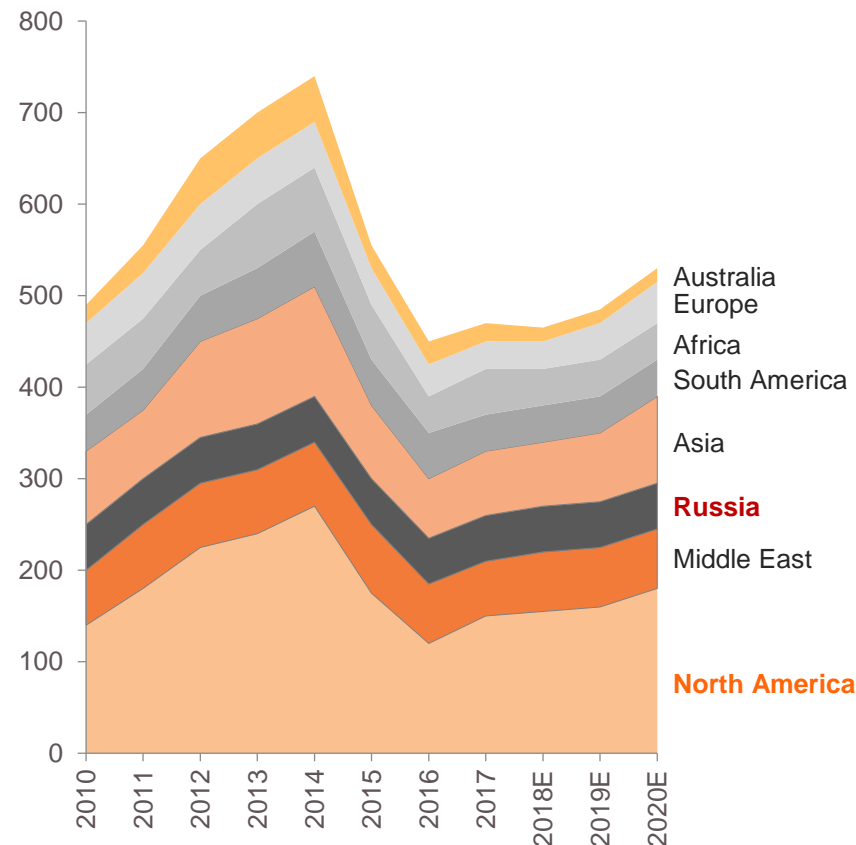
(m tonnes)



Source: Metal Expert for Russian OCTG consumption, Preston Pipe & Tube Report for US statistics

## Global E&P investments

(US\$ bn nominal)



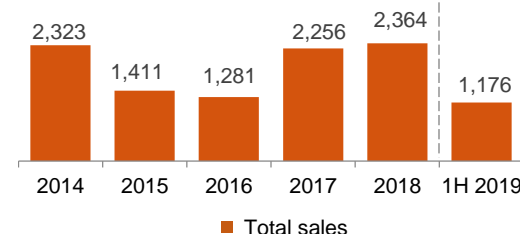
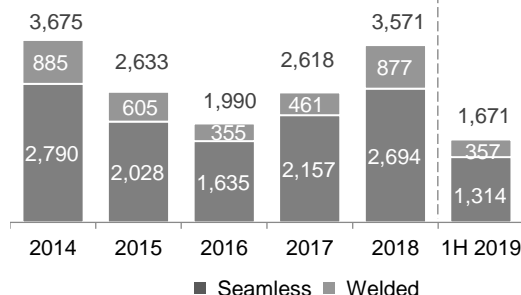
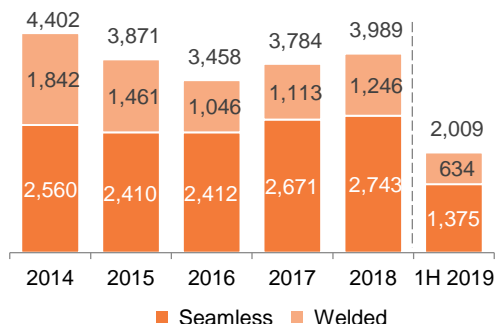
Source: Rystad Energy



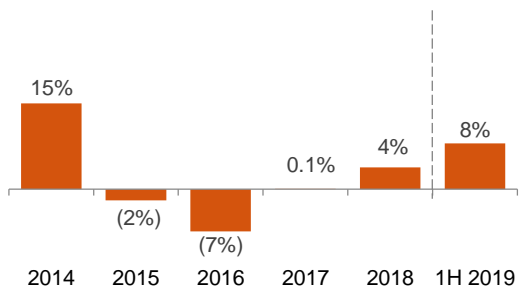
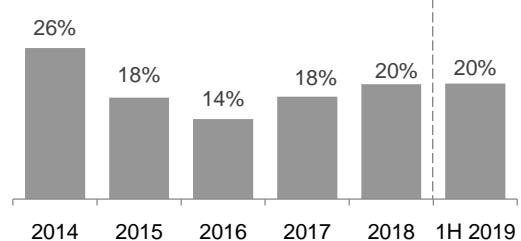
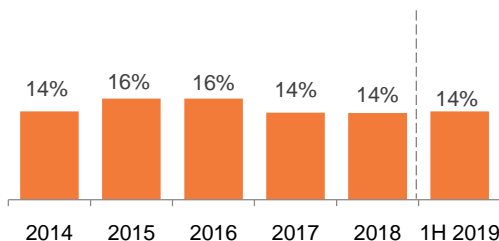
# TMK – Superior Earnings Resilience Through the Cycle



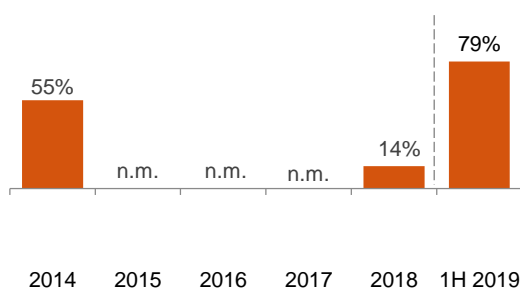
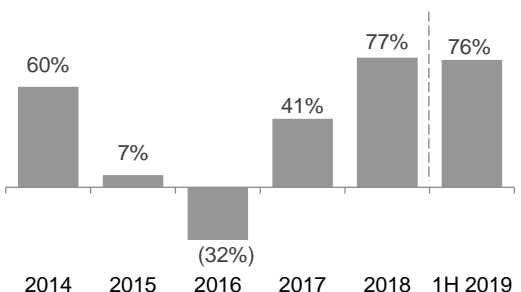
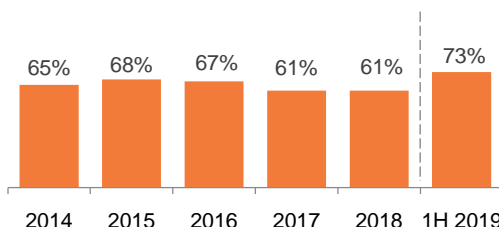
**Total pipes sales volume (ths. tonnes)**



**Adjusted EBITDA margin<sup>(a)</sup>, %**



**Cash conversion<sup>(b)</sup>**



Source: Companies' public reporting

Note: (a) Adjusted EBITDA for TMK represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items

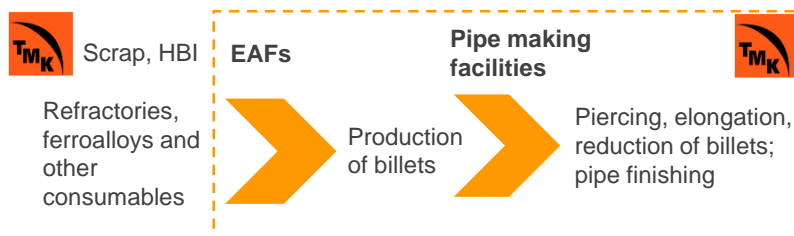
(b) Calculated as (Adjusted EBITDA – Capex) / Adjusted EBITDA



# Vertically Integrated Model Ensuring Margin Stability

- Operating in one of the lowest cost regions for steel production globally
- Fully vertically integrated seamless pipe production (upstream and downstream) across all regional divisions
- Ability to pass through increases in the cost of steel products to end-customers
- Resilient margin throughout the cycle of high and low steel prices
- In 2016, an agreement with Metalloinvest for supply of hot-briquetted iron ("HBI") was signed

## Seamless pipe – simplified value chain



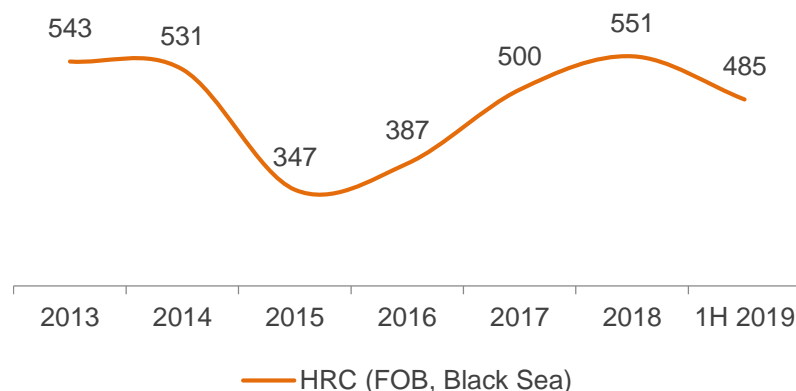
## Welded pipe – simplified value chain



Perimeter of TMK operations in the value chain

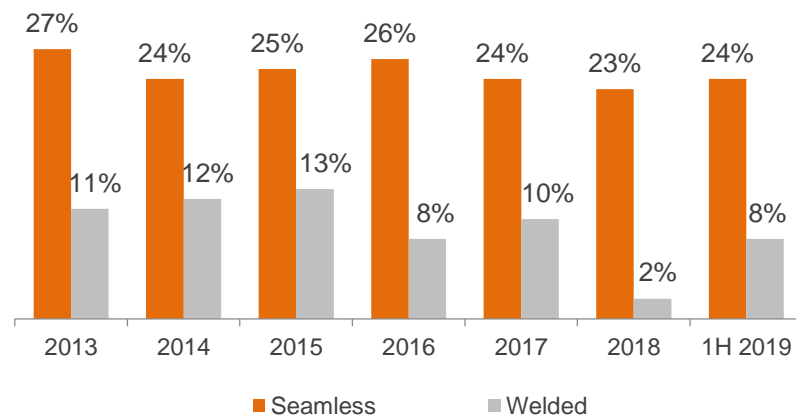
## Steel products price volatility

(US\$/t)



Source: Metal Expert

## TMK gross margin by product segments



Source: TMK data





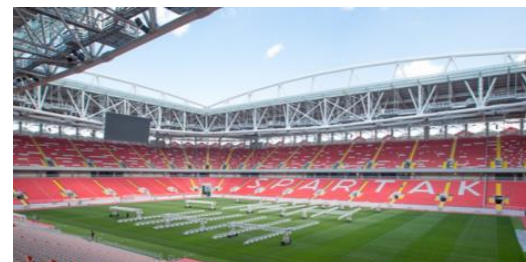
# Strong Position in Multiple End-Markets for Pipes Beyond Oil & Gas

## Automotive



- TMK-ARTROM is qualified as an authorised supplier for such companies as Dacia (a subsidiary of Renault)
- Supplier for Toyota

## Civil Construction



- Galvanised pipe for the outer steel frame of the Otkritie Arena stadium in Moscow
- Impact resistant seamless pipe shipped for the construction of Zenit Arena stadium retractable roof in St Petersburg
- Structural steel pipe for the stadium roof in Samara

## Energy and Chemicals



- Pipe shipments to energy and petrochemical businesses

## Diversified Hi-Tech Solutions



- TMK-INOX stainless pipe of 8–114 mm diameter, used in nuclear, aircraft, automotive, aerospace and energy industries



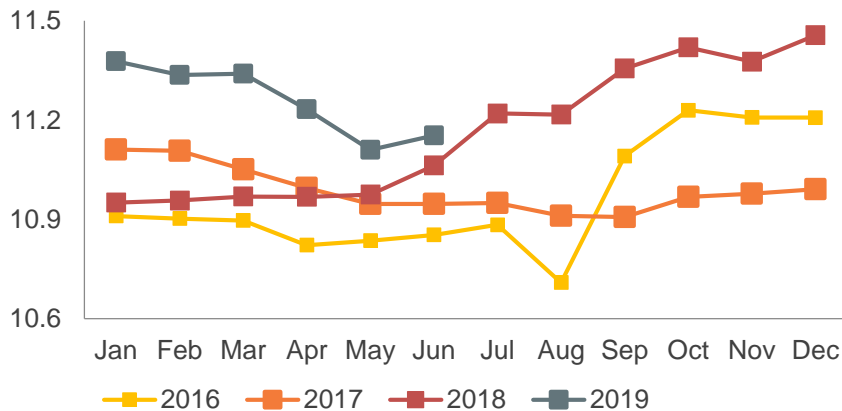
## **TMK Russian Division: Market Overview**



# Oil Production in Russia Remains Strong and This Creates Long-term Demand for High-End Oil & Field Services

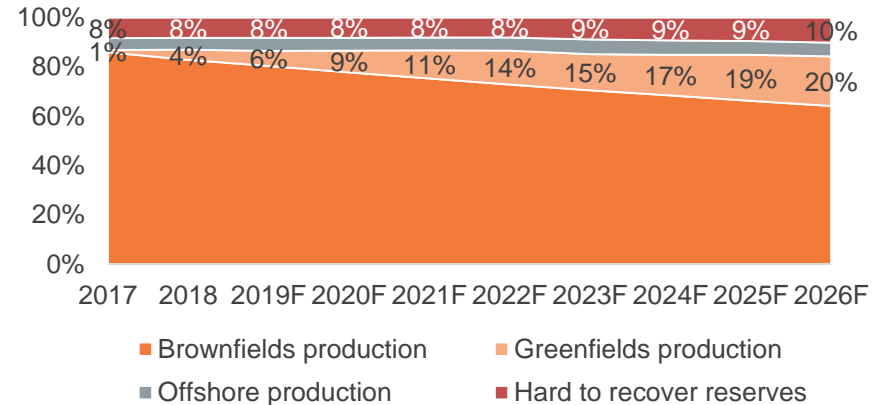
- Annual average oil production in 1H 2019 increased 2.5% YoY and came to 11.2 MMbpd in 1H 2019
- Gradual stagnation of oil production from brownfields is accompanied by development of greenfield projects

Russian total oil output, MMbpd



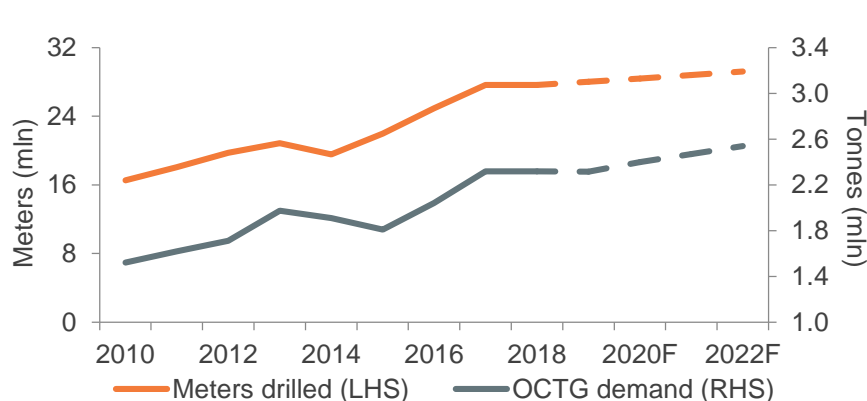
Source: Interfax, Info TEK

Oil production structure, %



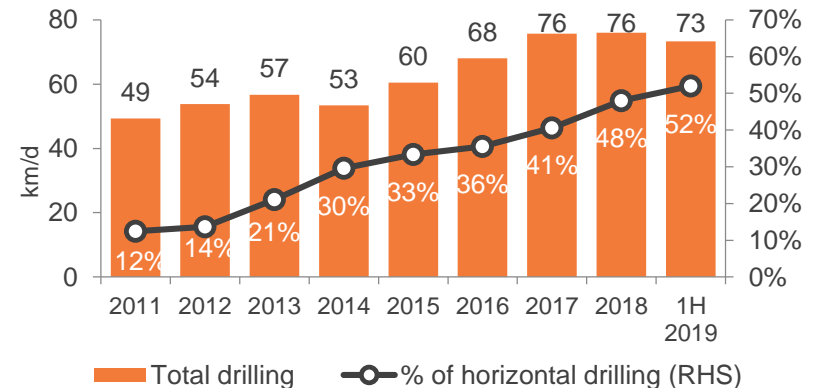
Source: RPI

## OCTG demand is strong supported by existing level of production and development of greenfields



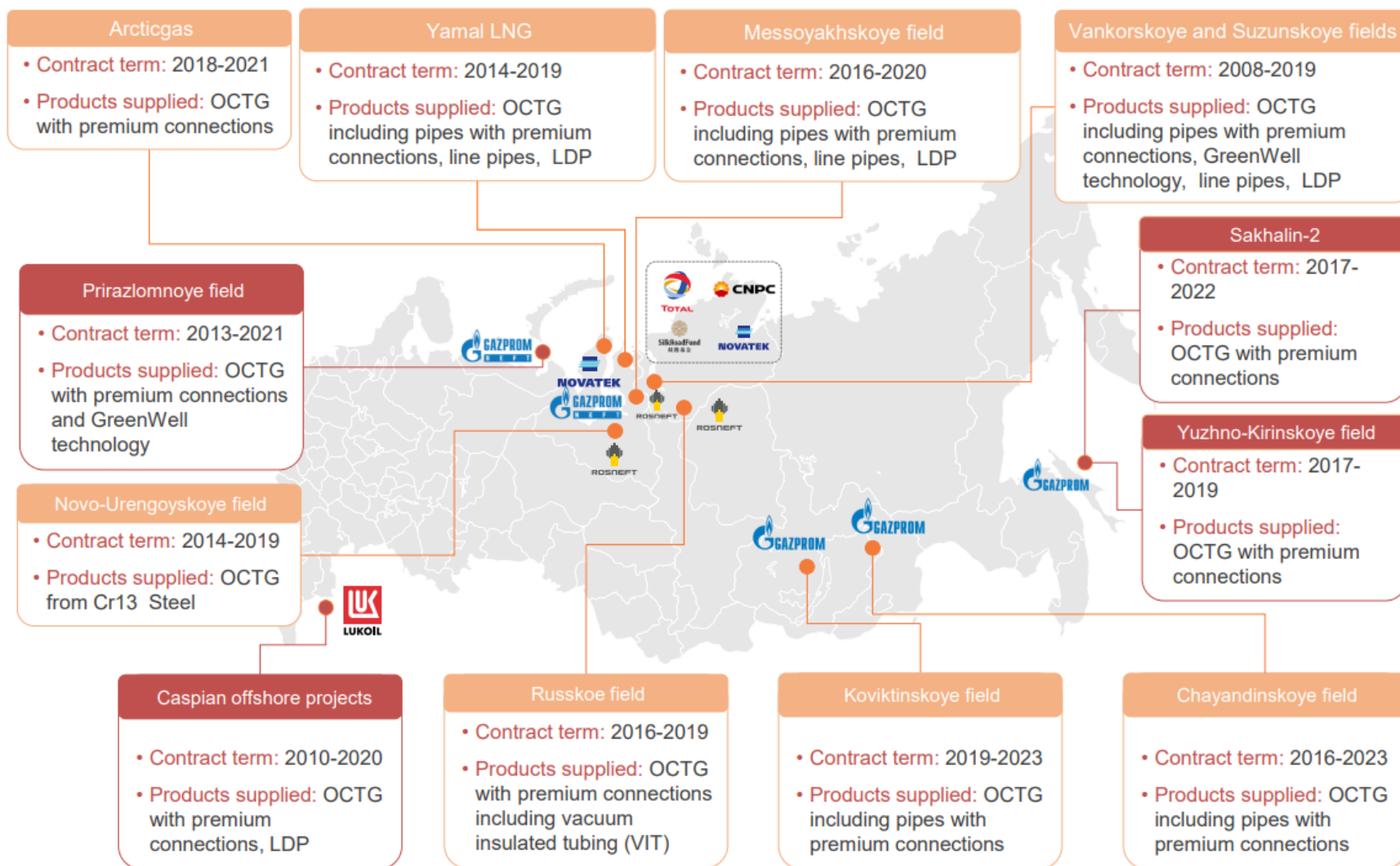
Source: Interfax, Info TEK, Spears & Associates, TMK estimates

Russian drilling, kmpd





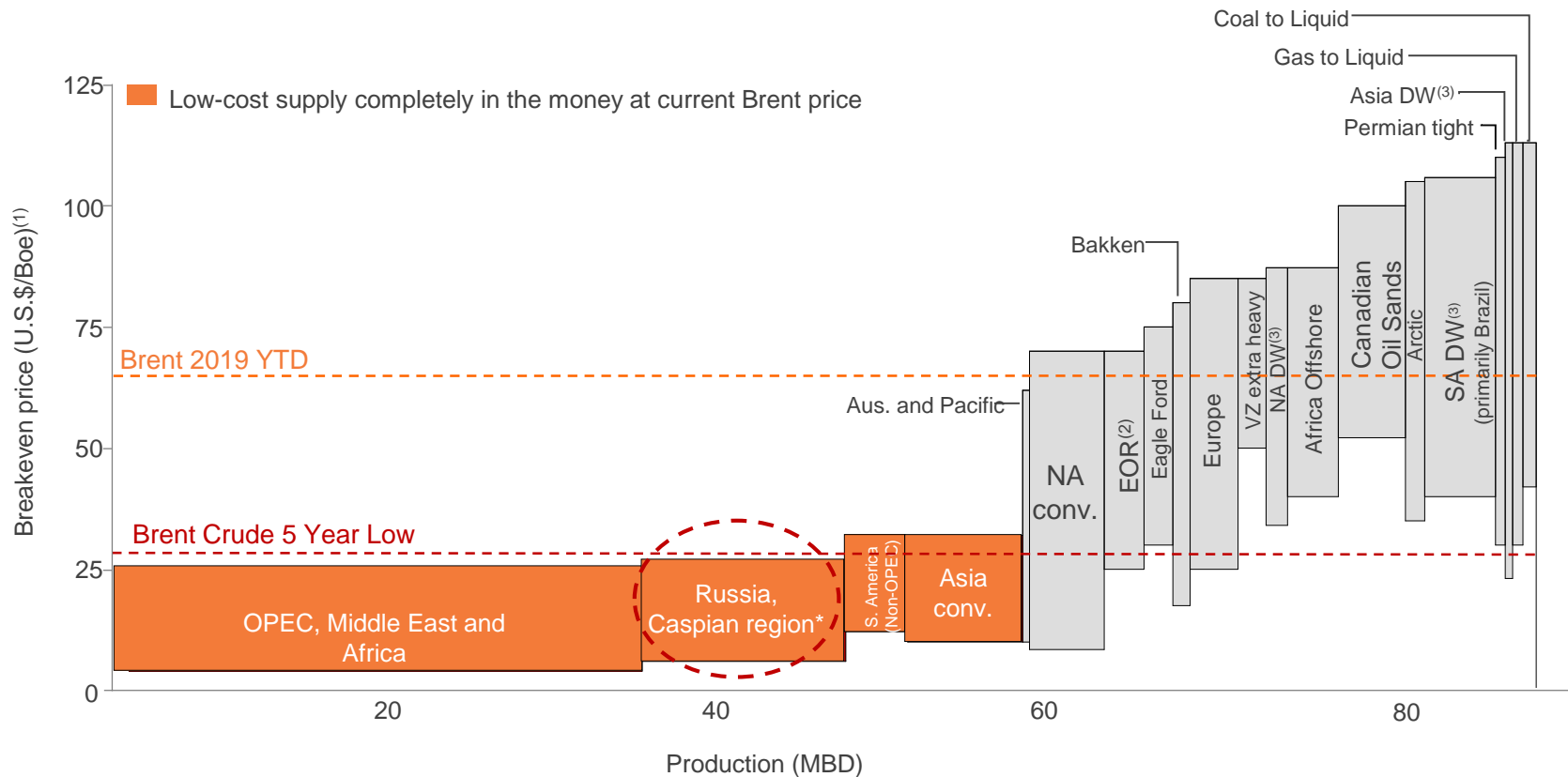
# Attractive Portfolio of Premium OCTG Projects





# TMK's Home Market is One of the Lowest Cost Oil Producing Regions

## Global oil production supply curve



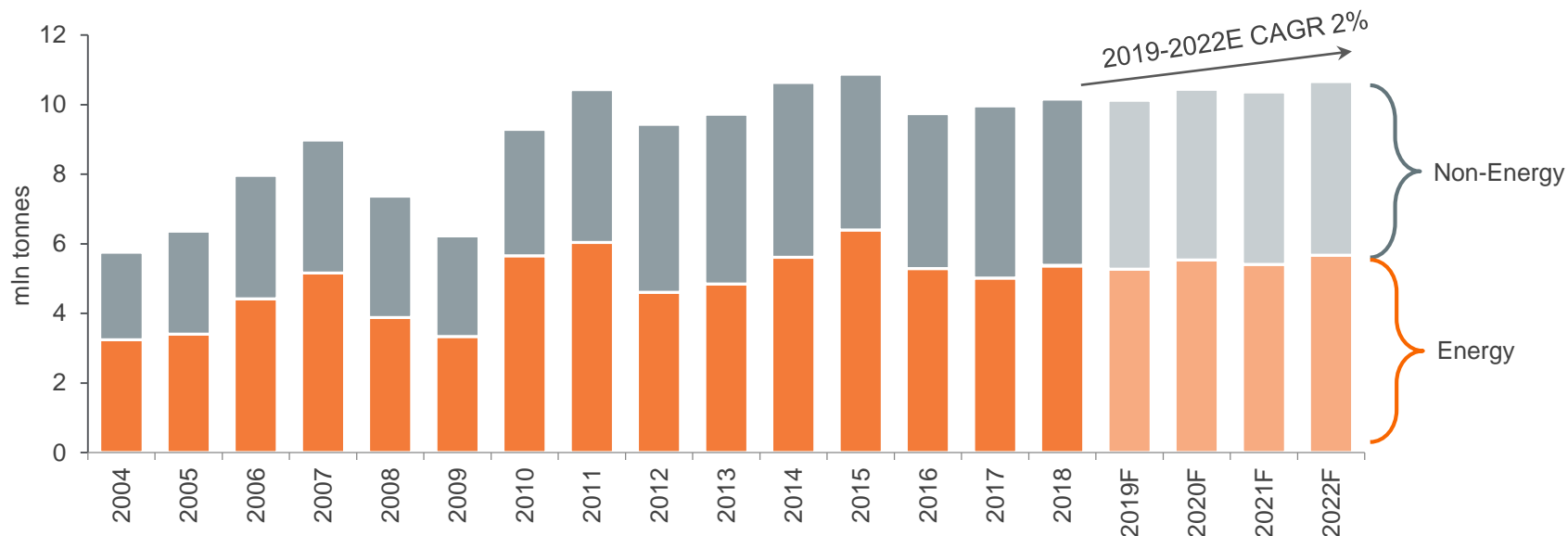
Even with oil at 5 year lows, the low cost Russian and Caspian region is able to remain profitable unlike the majority of its international counterparts. In 2015 and 2016, Russia was the only region globally to maintain healthy drilling activity and stable OCTG demand.

Source: IEA World Energy Outlook; EIA International Energy Outlook; EIA Annual Energy Outlook; Morgan Stanley

Notes: (1) Breakeven price assumes a 10% return, and NPV of zero; \*includes Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan; (2) Enhanced oil recovery; (3) Deep Water



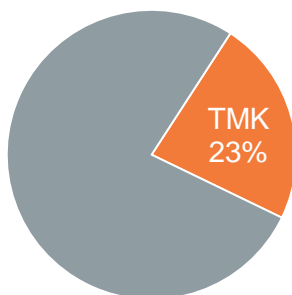
# Russian Tube and Pipe Market



Source: TMK estimates

## No.1 on the Russian tube and pipe market

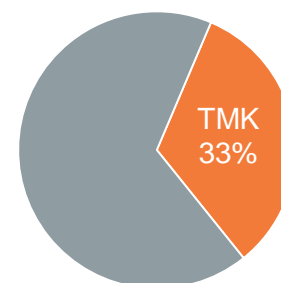
1H 2019



Source: TMK estimates, based on 1H 2019 numbers

## 33% market share of energy pipe demand

1H 2019



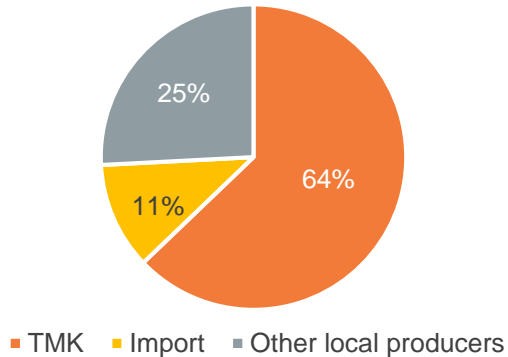
Source: TMK estimates, based on 1H 2019 numbers



# Strong Position on the Domestic Market

## TMK share of seamless OCTG remains high

Seamless OCTG market share, %

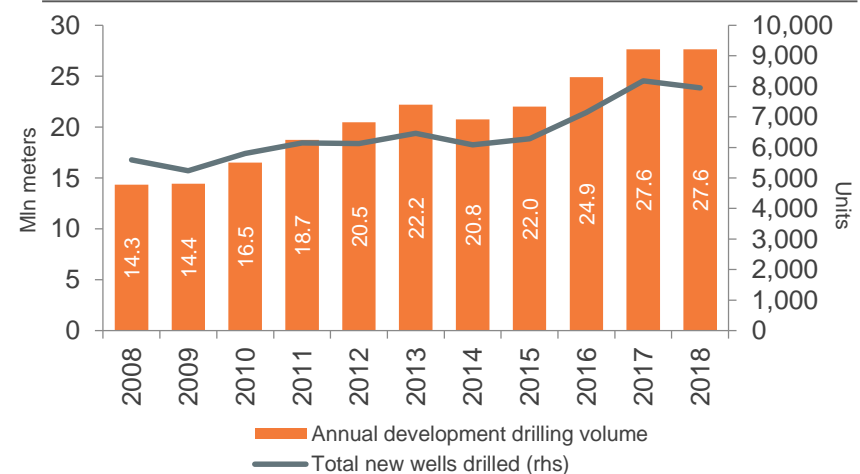


Source: TMK estimates, based on 1H 2019 numbers

- Development of conventional and unconventional reserves will require the use of non-conventional drilling techniques and reliable OCTG products
- Russian seamless OCTG market is stable in 1H 2019
- TMK is a leader in the seamless OCTG production on the Russian market with a more than 60% market share for 1H 2019



## Strong drilling market in Russia

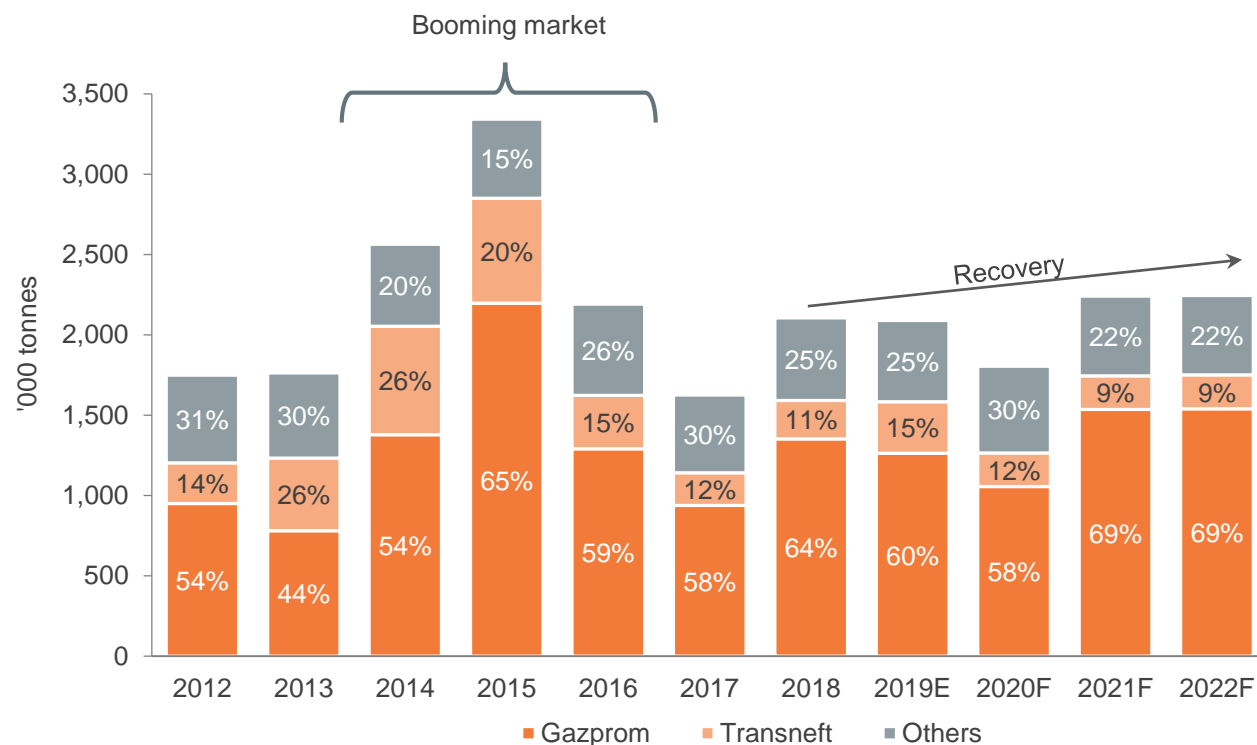


Source: Spears & Associates



# LDP Demand in Russia

## LDP demand in Russia, 2013–2022E



Source: TMK estimates

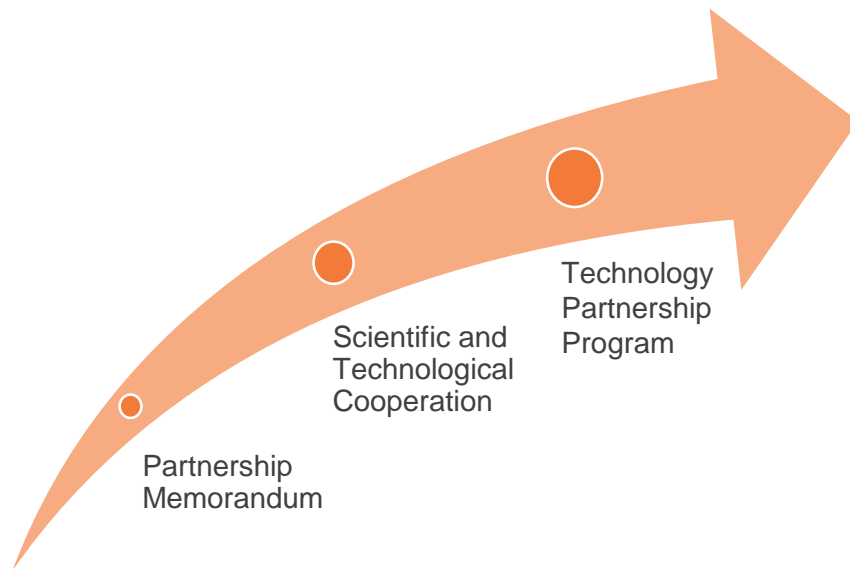


- For the next three years we expect the LDP market to be at approximately 2.0 mln tonnes
- Major projects planned: Power of Siberia (GAZP), Bovanenkovo-Ukhta 3 (GAZP), Power of Siberia-2 (GAZP), Sakhalin-Khabarovsk-Vladivostok GTS (GAZP), maintenance needs of Transneft and Gazprom





# Strategic Cooperation Supporting Growth



## Strategic cooperation with key customers



- Long-term agreements with key customers to develop and supply innovative premium products with related services will strengthen TMK's position
- Import substitution programs guarantee purchase of tubular products and related services
- TMK's innovative products are able to considerably improve the energy efficiency of wells, as well as safety and environmental impact



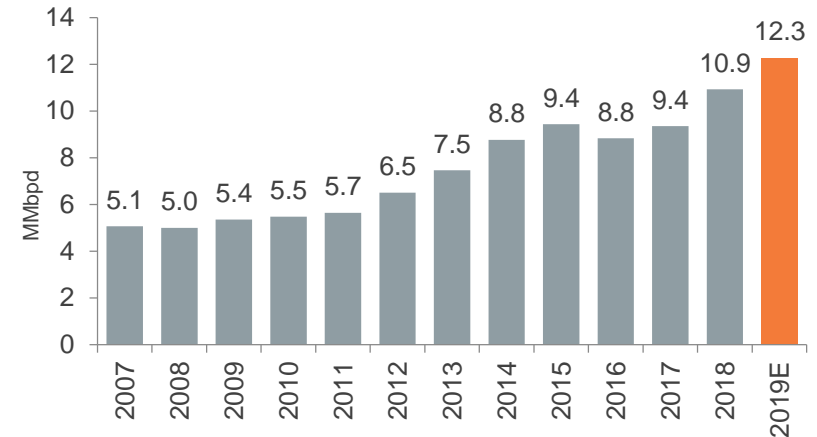
## **TMK American Division: Market Overview**



# Improving Oil & Gas Market Fundamentals Drive U.S. Shale Production...

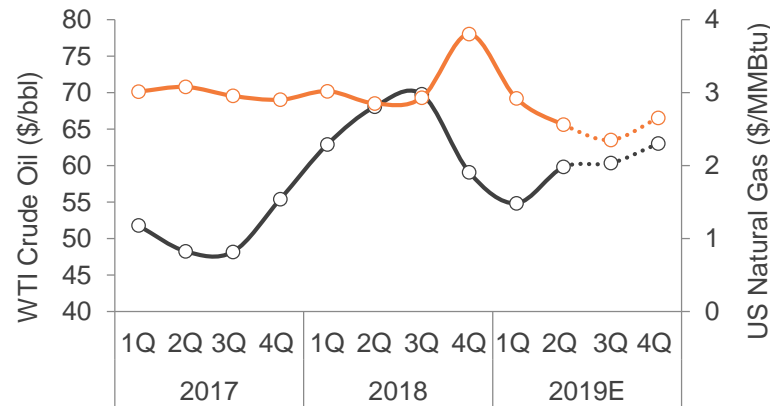
- Supply cuts from OPEC+ have brought the market into balance and stabilized prices
- Capex spending in oil and gas continues to focus on US shale drilling efforts rather than long-term and more expensive projects
- Growth in natural gas exports coupled with an increasing supply of associated gas maintain a balanced and stable pricing picture for natural gas

## U.S. crude oil production



Source: EIA

## Improved sentiment and price in 2018

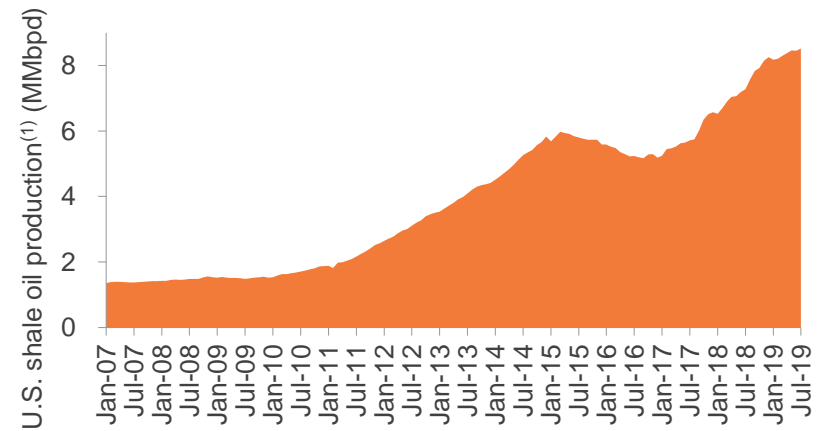


Source: EIA

—○— WTI Crude Oil

—○— HH

## U.S. shale oil production<sup>(1)</sup> is growing



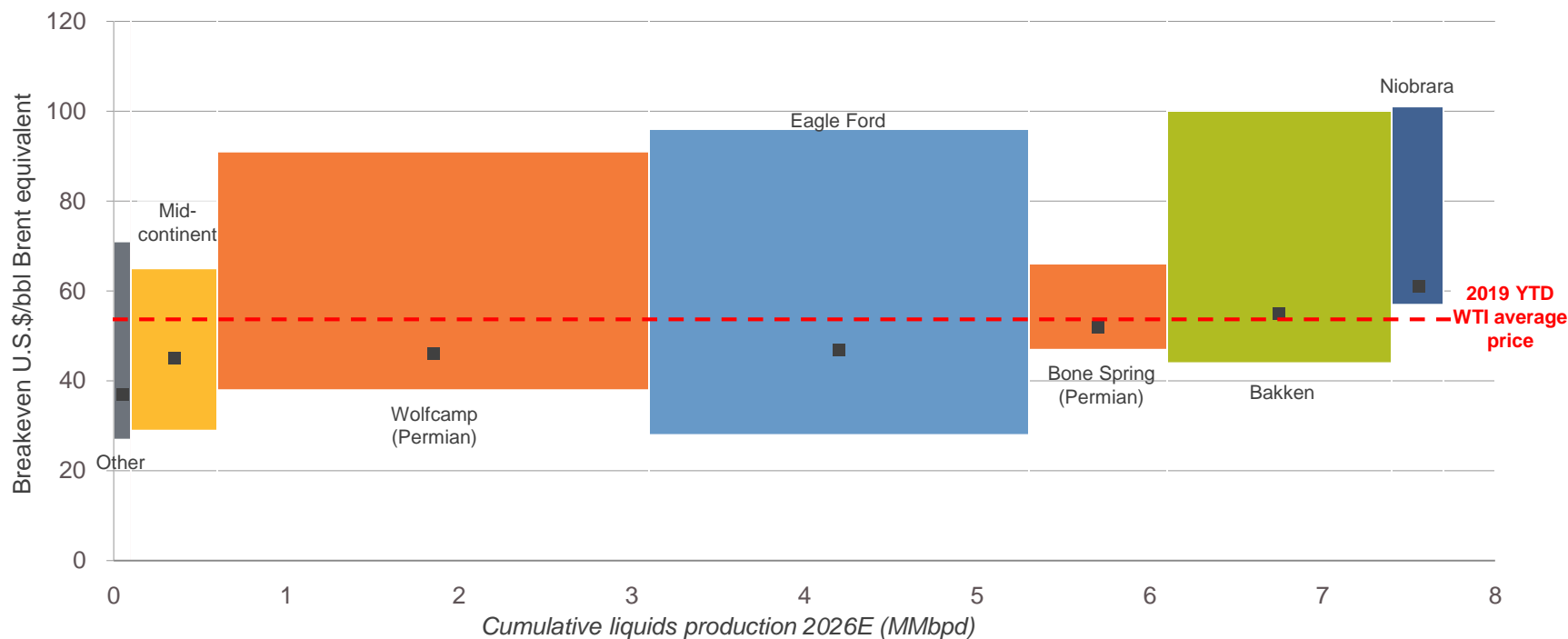
Source: EIA

Notes: (1) Includes total oil production from Anadarko, Appalachia, Bakken, Eagle Ford, Haynesville, Niobrara, Permian



# ... Which is Sustainable in the Long Term at Current Oil Price Levels

## Continental U.S. tight oil cost curve



Source: Wood Mackenzie

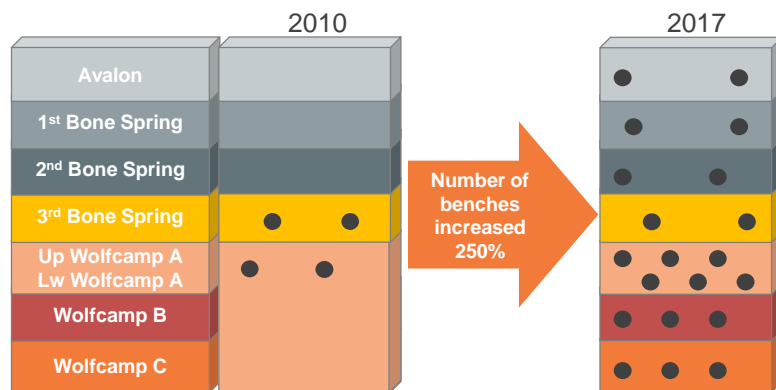
- During the past 2 years, U.S. shale players managed to decrease production costs
  - Drilling technology has evolved, driven by efficiency requirements
  - Key changes included higher intensity of drilling, longer laterals, significantly higher usage of proppants and equipment and well string standardization
- Despite a wide variation between plays, many U.S. shale producers are profitable at oil prices in the U.S.\$50-60/bbl range in the long term
  - A number of shale plays, incl. Permian and Eagle Ford basins as well as Mid-continent region of the U.S., are profitable at around U.S.\$45-50/bbl



# Increasing Unconventional Horizontal Drilling...

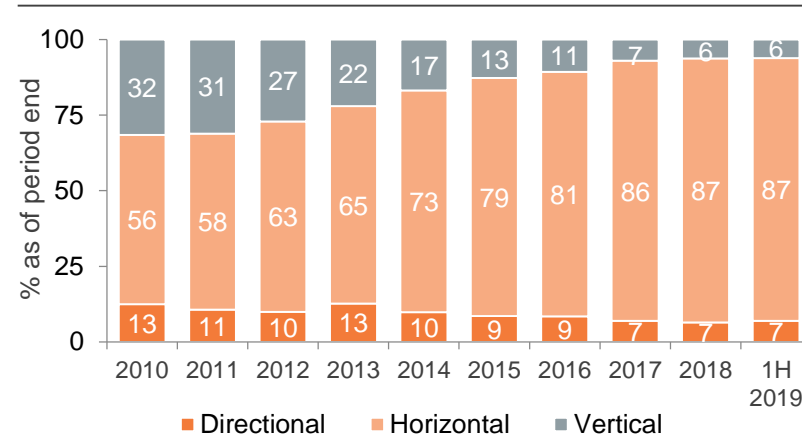
- Horizontal and directional drilling represented 94% of all US drilling activity in 2018 and 95% in 1H 2019
- According to Spears & Associates estimates, 2018 U.S. drilling and completion spending was 20% above 2017
- Growing number of available productive benches means that for any drilled well there is the potential for additional drilling activity further down the line

## Potential for additional drilling activity: Permian basin (Delaware sub-basin) example



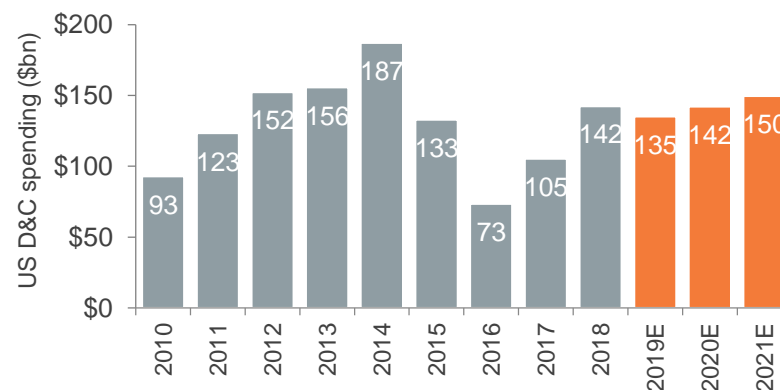
Source: Spears & Associates, Drilling Production Report as of September 2018

## U.S. active rig count by type of drilling



Source: Baker Hughes

## U.S. drilling and completion spending

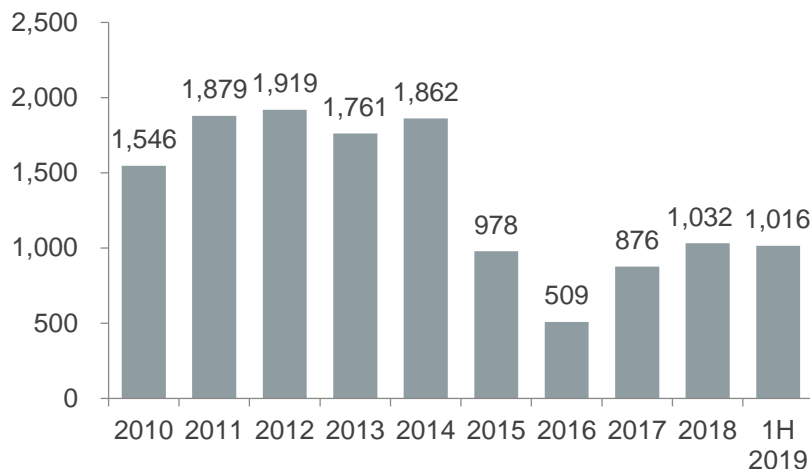


Source: Spears & Associates



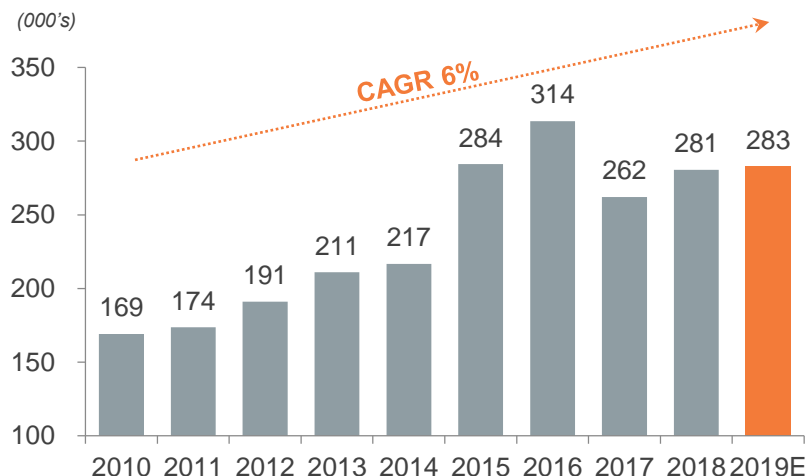
# ...Higher Lateral Length and Footage Drilled per Rig...

## U.S. average annual rig count



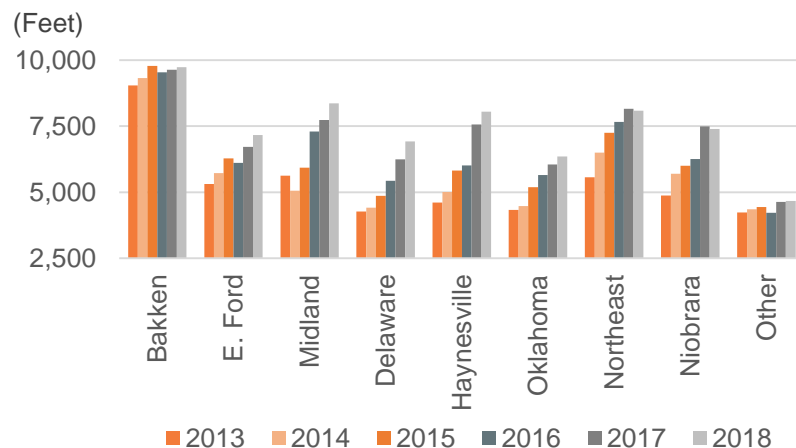
Source: Baker Hughes, Spears & Associates, Inc.

## Footage drilled per rig



Source: Spears & Associates, Inc.

## Average U.S. lateral length



Source: BTU Analytics

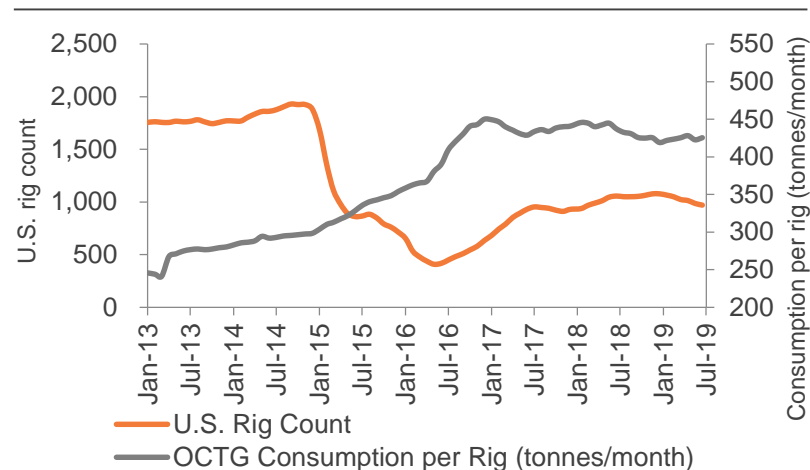
- Drilling times have fallen sharply in most regions resulting in fewer rigs needed to perform the same work
- As producers continue to innovate, well lengths increased, frac stages rose and proppant usage increased
- Increased lateral lengths and greater drilling complexity are driving greater spending on technologically advanced drilling consumables, such as OCTG with premium and semi-premium connections



## ... Resulting in OCTG Consumption Growth Per Rig...

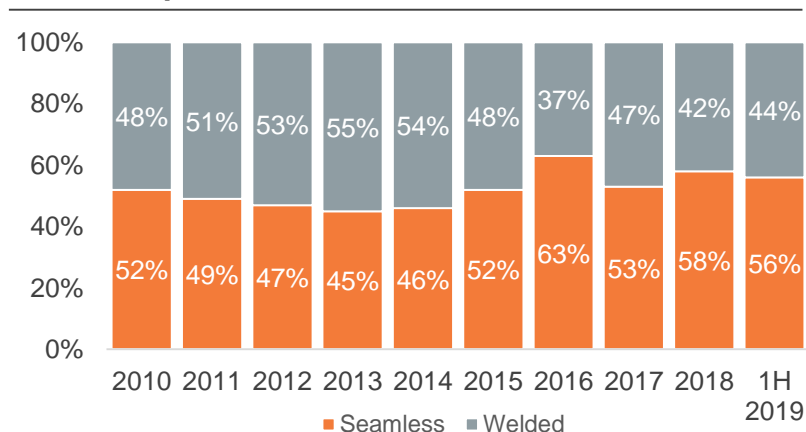
- OCTG consumption per rig has nearly doubled since January 2013, allowing for significant recovery in the sector despite having fewer than half of the rigs in operation
- Seamless pipe has increased its share of total U.S. pipe volume as the result of increased horizontal and directional drilling as well as longer laterals
- According to Preston Pipe, seamless pipe represented approximately 56% of total U.S. OCTG shipments in 1H 2019

**OCTG consumption per rig**



Source: Preston Pipe, Baker Hughes

**OCTG shipments mix**



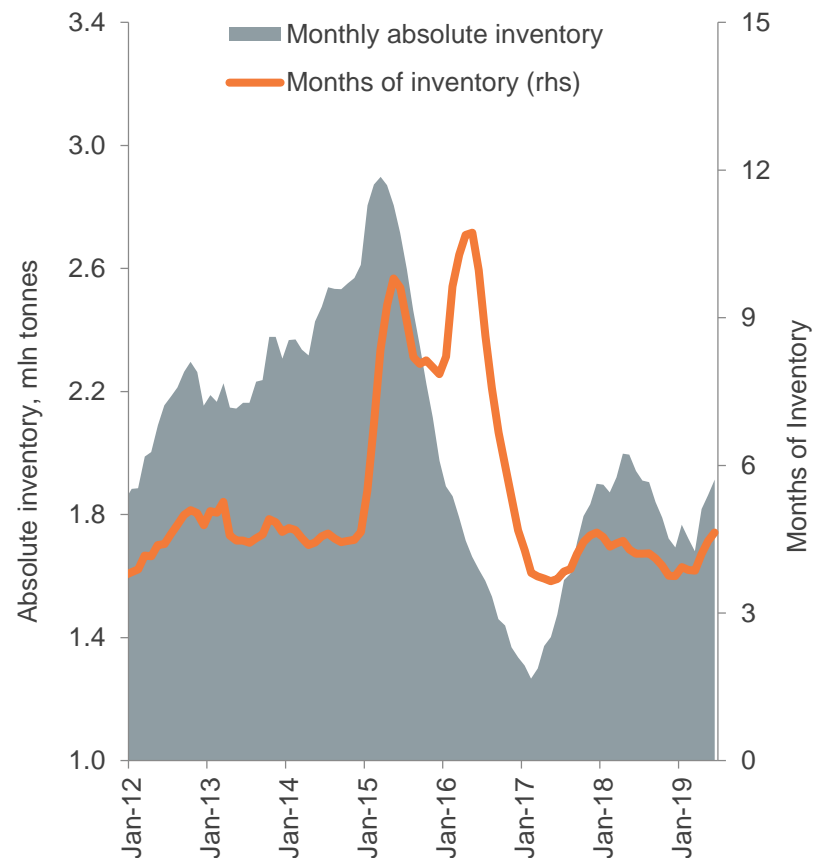
Source: Preston Pipe



## ... Inventory Normalization, Higher Efficiency ...

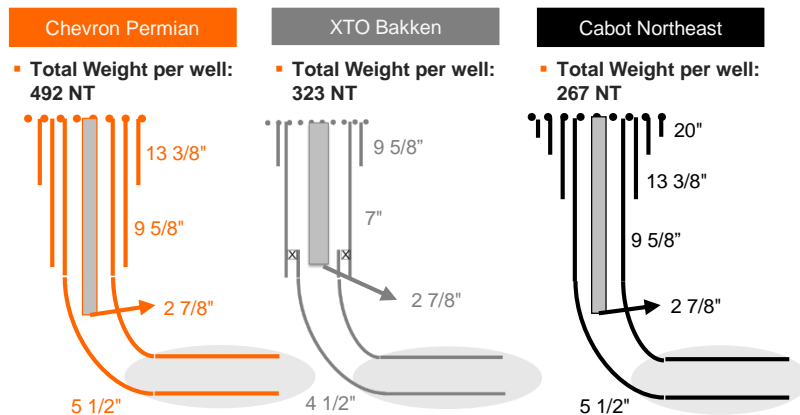
- Despite months of inventory having reached 2014 levels, the monthly absolute inventory is meaningfully below pre-crisis levels due to higher industry efficiency:
- Design has standardized resulting in more obsolete inventory
- E&P investment has spilled over into the management of inventory: the amount of pipe on the ground that was typically required to maintain a certain rig level has decreased from previous cycles

### Increased shipment levels bring months-of-inventory back to pre-downturn levels



Source: Preston Pipe & Tube Report

### Standardized diameters of OCTG piping



Source: Company data

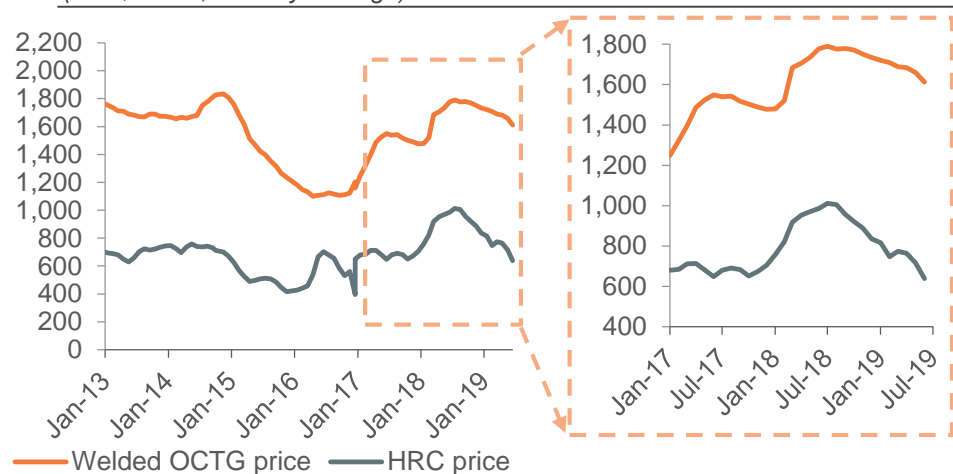




## ... and Growth of OCTG Prices

### U.S. distributor welded OCTG vs. HRC prices

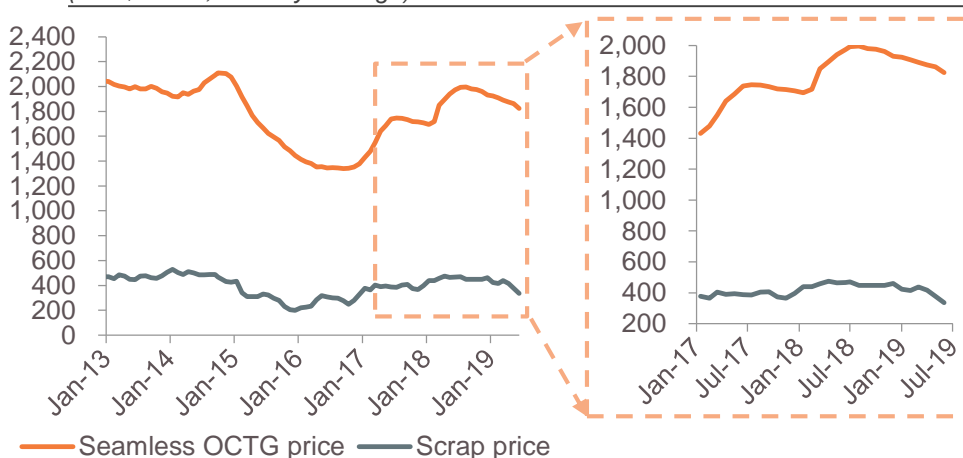
(U.S.\$/tonne, monthly average)



Source: Pipe Logix, AMM

### U.S. distributor seamless OCTG vs. scrap prices

(U.S.\$/tonne, monthly average)



Source: Pipe Logix, AMM

- Welded and seamless OCTG prices have rallied from the low in 2016. Since then, the average prices increased by more than 30% in 2017 and by more than 15% in 2018.
- Following the implementation of Section 232, HRC prices grew by almost \$300/tn until August 2018 when they started a downward trend



# Strategic Overview



# Key Strategic Pillars

## Enhance leadership in key segments and enter new product niches

- Dominate the Russian OCTG and line pipe markets
- Remain in the TOP 3 leading OCTG producers in the USA
- Increase the share of high-tech products in the Russian division's revenue to 50% by 2022 and maintain a leading position in the Russian market for premium connections

## Optimise vertical integration

- Increase capacity utilization of steelmaking facilities through higher production volumes of steel billets and other products, and maximize the financial impact
- Expand presence in further processing of tubular products (drill pipe, coating)
- Develop a service offering of ready-to use comprehensive engineering solutions for customers

## Enhance the sales platform and leverage TMK's global scale

- Expand commercial footprint of TMK's products and services
- Develop strategic partnerships with major customers and global consumers
- Focus on offering products that have a global market and stable demand outlook, i.e. high-tech seamless pipes and premium connections

## Focus on innovation and digitalisation

- Develop e-commerce across all divisions via TMKe Trade, the first tubular goods Internet shop in Russia
- Use cutting-edge digital technology to improve product quality and cut costs

## Enhance operational excellence

- Foster a culture of continuous operational improvements and production cost cutting
- Ensure consistent product quality through increasing the sustainability of technologies and personnel qualification

## Strengthen financial performance and investment appeal

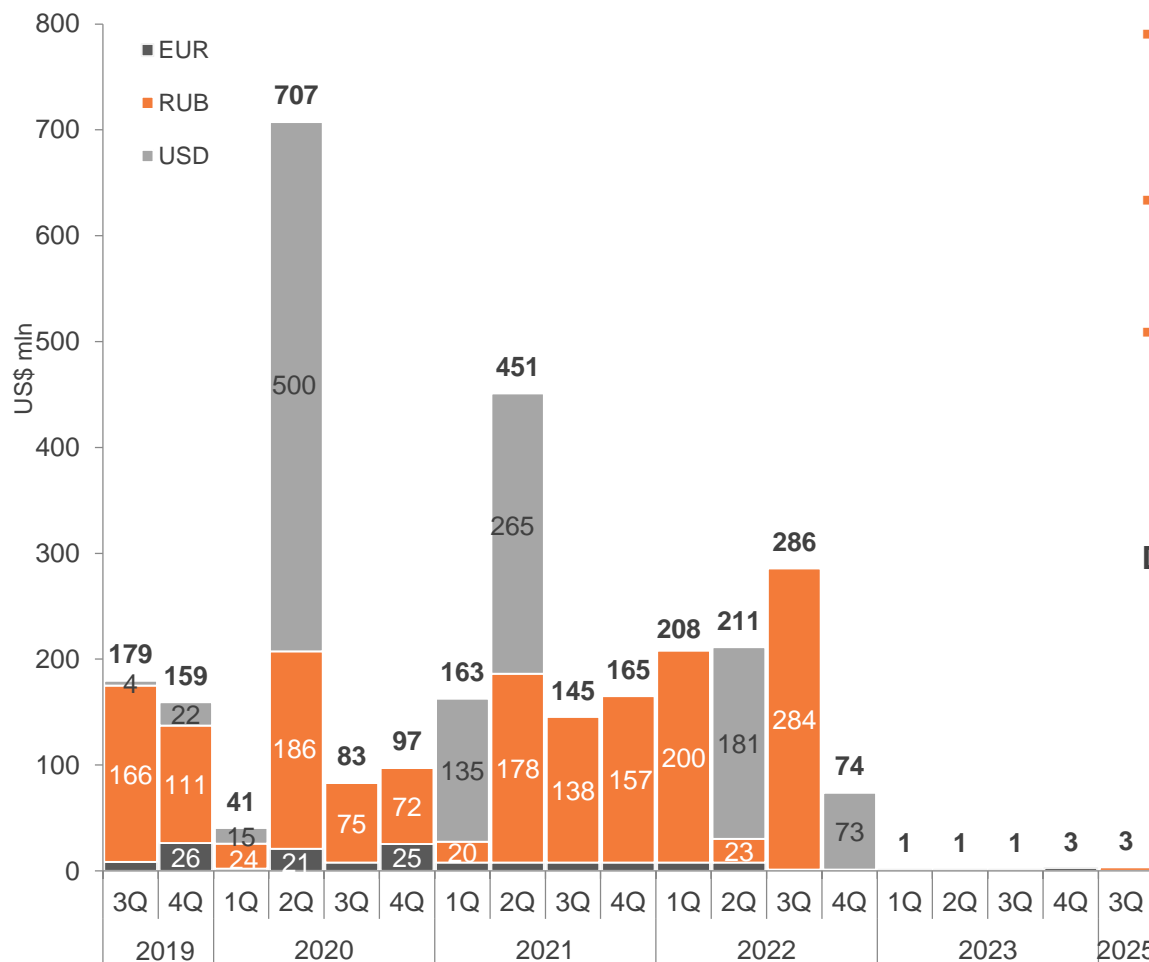
- Maximize operating cash flow
- Monetize international assets, strategic alliances and joint ventures in all regions of presence
- Reduce leverage to 3.0x Net Debt<sup>(a)</sup>/ EBITDA<sup>(b)</sup> as of FY2019
- Reduce leverage to 2.5x Net Debt<sup>(a)</sup>/ EBITDA<sup>(b)</sup> as of FY2020

Note: (a) Net Debt represents interest bearing loans and borrowings plus liability under finance lease less cash and cash equivalents and short-term financial investments

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items

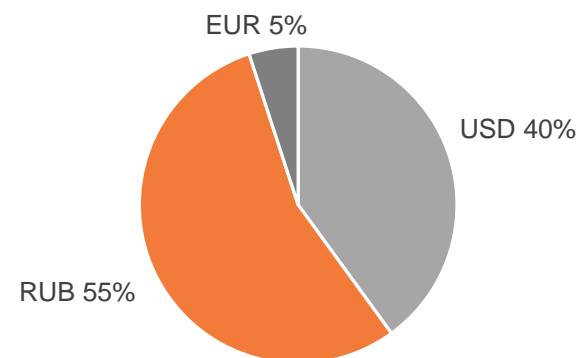


# Debt Maturity Profile as at June 30, 2019



- Net debt increased from \$2,437 million as at December 31, 2018 to \$2,641 million as at June 30, 2019, as a result of the Rouble appreciation against the US dollar
- The weighted average nominal interest rate was down by 2 bps compared to the end of 2018 to 7.27% as at the end of 2Q 2019
- Credit Ratings confirmed:
  - ✓ S&P B+, Stable (CreditWatch Positive)
  - ✓ Moody's B1, Stable

## Debt currency structure



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

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.



## Environmental, Social & Governance



**ESG rating upgraded to «BB» from «B»**  
in May 2019














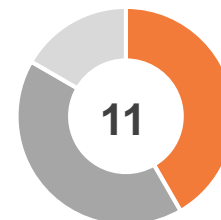
Governance....**2** (▲ in August 2019)  
Environment... **4** (■ in August 2019)  
Social..... **6** (▲ in August 2019)



# Corporate Governance

## The Board of Directors

 <p><b>DMITRY PUMPYANSKIY</b> Chairman Non-Executive Director</p>	<div> <div></div> Directors         </div> <div> <div></div> Independent Directors         </div> <div> <div></div> Chairman of the Committee         </div>
 <p><b>ALEXANDER SHIRYAEV</b> Executive Director</p>	 <p><b>SERGEY KRAVCHENKO</b> Chairman of the Nomination and Remuneration Committee</p>
 <p><b>ANDREY KAPLUNOV</b> Executive Director</p>	 <p><b>NATALIA CHERVONENKO</b> <span>NEW</span> Chairman of the Audit Committee</p>
 <p><b>ALEXANDER PUMPYANSKIY</b> Non-Executive Director</p>	 <p><b>ALEKSANDER SHOKHIN</b> Chairman of the Strategy Committee</p>
 <p><b>MIKHAIL KHODOROVSKY</b> <span>NEW</span> Non-Executive Director</p>	 <p><b>VENDE FRANK-DETLEF</b> <span>NEW</span> Independent Director</p>
 <p><b>ANATOLY CHUBAIS</b> Non-Executive Director</p>	 <p><b>YAROSLAV KUZMINOV</b> Independent Director</p>



- 5 Independent Directors
- 4 Non-Executive Directors
- 2 Executive Directors

## Committees

The Board of Directors has three standing committees chaired by **independent directors**:

- Nomination and Remuneration Committee
- Audit Committee
- Strategy Committee

## Corporate Governance ratings

- **TMK ranks in the Top-20** companies in Russia with the best disclosure of corporate governance information, according to the annual survey "National Corporate Governance Index" in 2018.



# Focus on Environmental Protection as a Foundation for Business Sustainability

## Environmental management system

### 11 TMK's plants

confirmed their compliance with ISO 14001:2005

### Environmental monitoring

All Russian division plants have accredited chemical-analytical laboratories with the necessary modern equipment

## Key results in 2018

### -1% YoY

total pollutant emissions into atmosphere

### 95.32%

water supply is recycled

### 55%

of total waste was reused at TMK facilities

### Flat YoY

total water consumption

## Investment into environmental protection

### ~\$40 mln

Environmental expenditure +5% YoY in 2018

### >20 CAPEX projects

Key areas of investment: water basin protection, air protection and soil protection

## Environmental education program

### 817 employees

passed external education on environmental protection

### Ecology for non-ecologists

E-learning program was developed and launched at the Corporate University platform TMK2U







# Focus on Health & Safety and Social Responsibility as a Foundation For Business Sustainability

## Health & Safety – key results in 2018

**\$11 mln**

Health & safety expenditure  
**+14% YoY in 2018**

### Steel Safety Day-2018

83% of production capacities audited  
>42\* thousand employees participated



### Zero fatalities

**1.37x**

Injury frequency rate in 2018  
(1.52x injury frequency rate in 2017)



### Focus on best practice

Potential projects:

- “Conscious safety” system
- Electronic system of pre-shift inspections
- Digital technology in labour protection



## Corporate social responsibility

### Comprehensive charity program

Through sponsorship and charity, TMK seeks to foster a favourable social climate in the regions where we operate



### 4 key areas of social initiatives:

- Health
- Sport
- Education
- Culture



### 80 non-profit organisations

Receive financial support from TMK, including 19 through various grant competitions



\* Including 7 th. employees from contractors



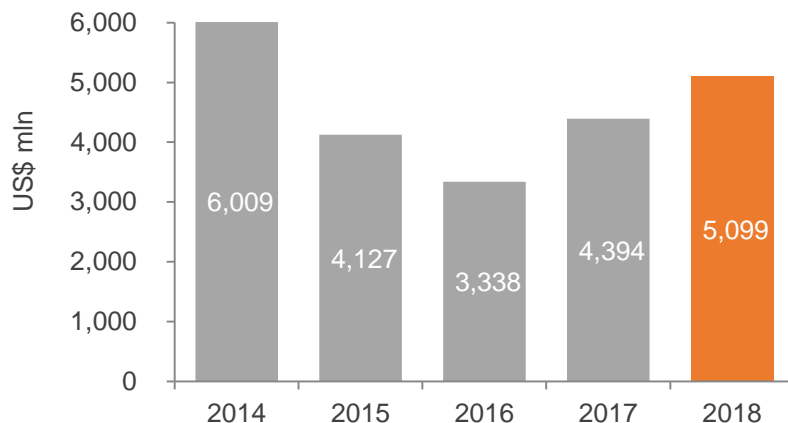


## Summary Financial Results

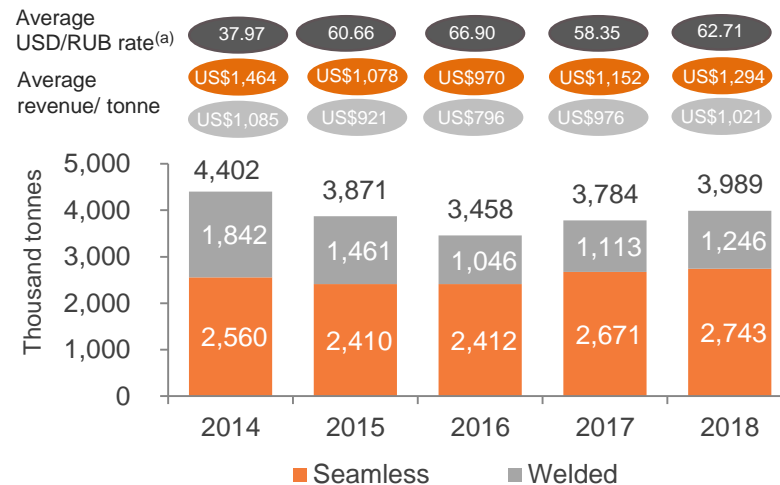


# FY Consolidated Results Snapshot

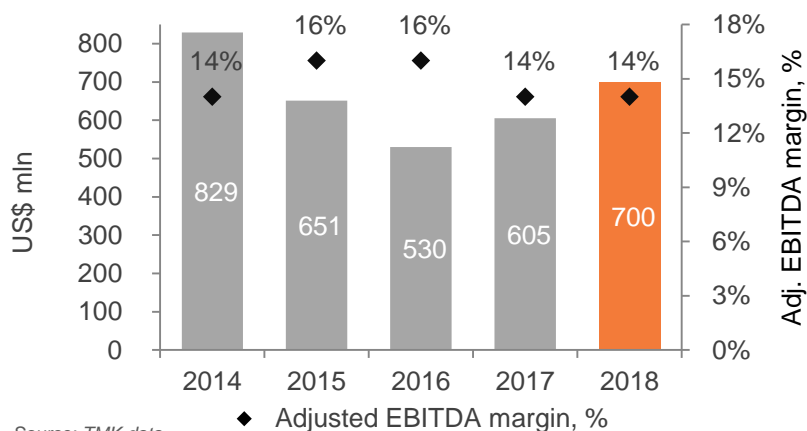
## Revenue



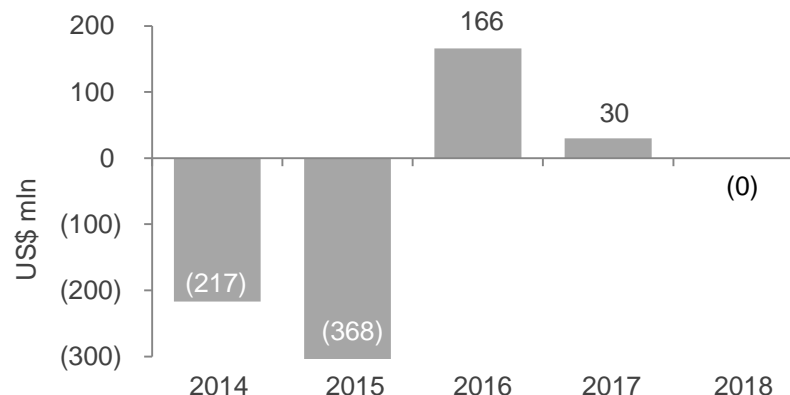
## Volumes and realised prices



## Adjusted EBITDA<sup>(b)</sup>



## Net profit



Source: TMK data

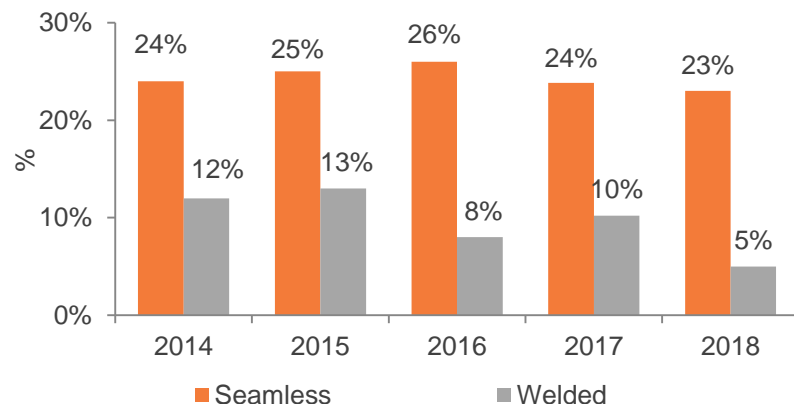
Note: (a) Average nominal USD/RUB exchange rate as published by the Central Bank of Russia.

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items

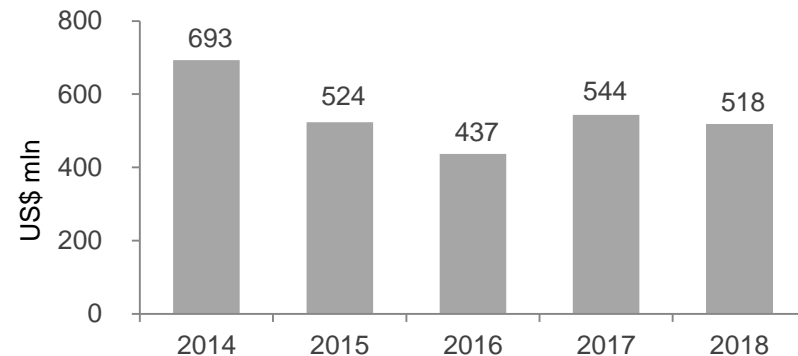


# Gross Margin, SG&A and Cash Conversion

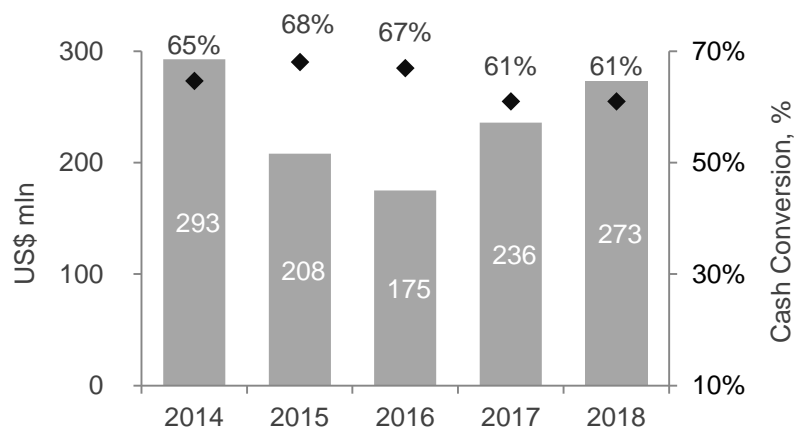
## Gross margin



## SG&A and corporate overheads<sup>(a)</sup>



## Capex and cash conversion<sup>(b)</sup>



## Key considerations

- Seamless segment accounting for 90% of consolidated gross profit and demonstrates consistently superior margins
- Major reduction in SG&A in response to the revenue decline in 2015-16
- Relatively high share of fixed costs in seamless segment provides strong leverage to volume growth
- Significantly optimized lean cost structure due to stringent efficiency measures

Source: TMK data

Note: (a) Based on IFRS financial statements. Calculated as Gross Profit less Operating profit

(b) Calculated as (Adjusted EBITDA – Capex) / Adjusted EBITDA. Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of profit/loss of associates and other non-cash, non-recurring and unusual items



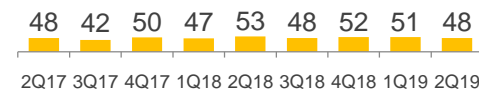
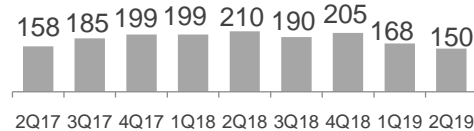
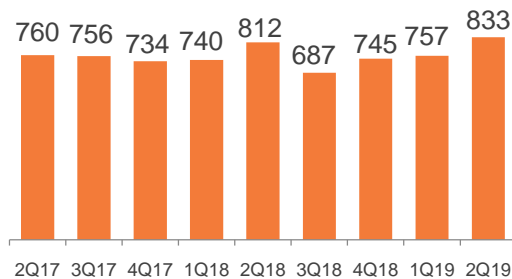
# Segmental Quarterly Performance Dynamics

## Russian division

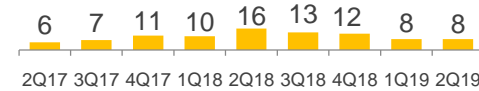
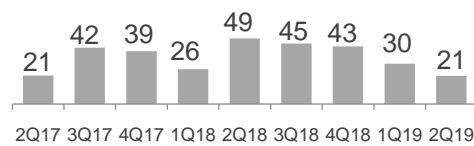
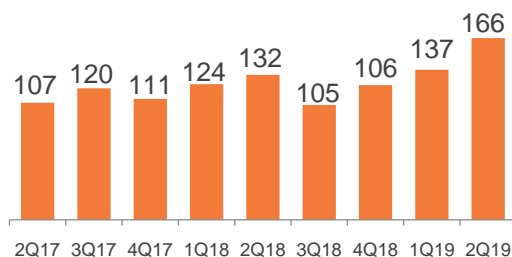
## American division

## European division

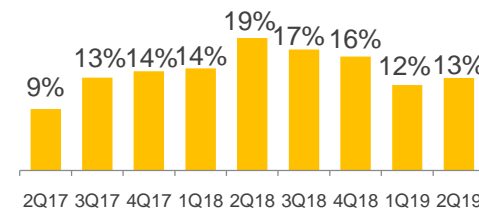
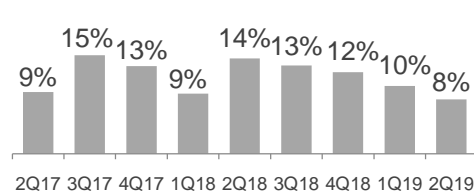
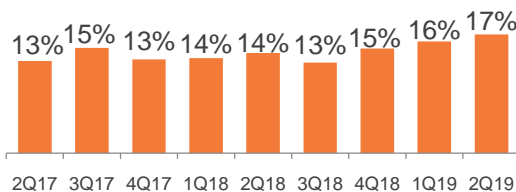
**Sales volume  
(ths.tonnes)**



**Adjusted EBITDA<sup>(a)</sup>,  
US\$ mln**



**Adjusted EBITDA  
margin<sup>(a)</sup>, %**



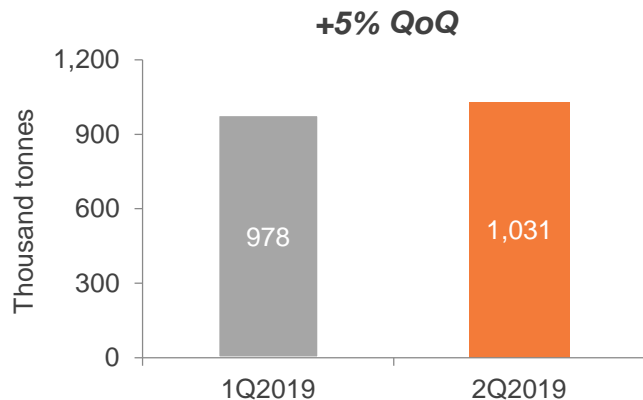
Source: TMK data

Note: (a) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual item

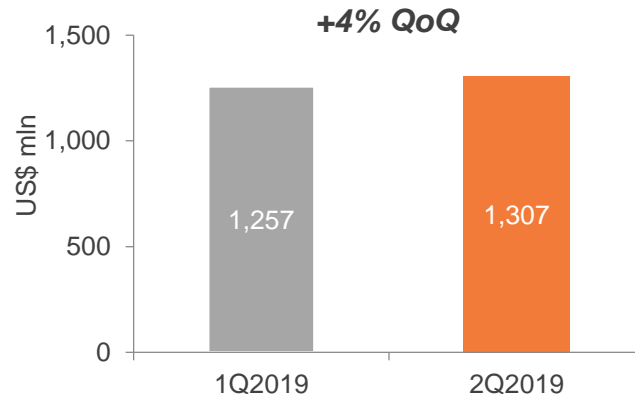


# 2Q 2019 vs. 1Q 2019 Summary Financial Highlights

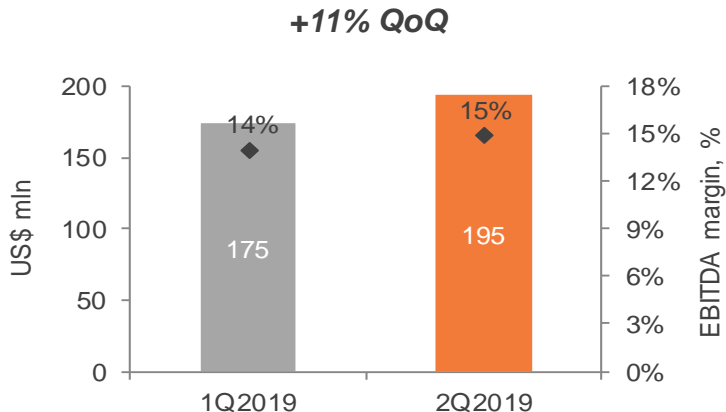
**Sales** were up QoQ, mainly due to higher sales at the Russian division



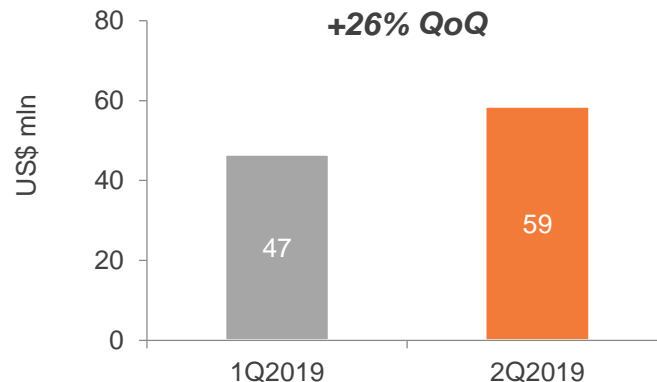
**Revenue** was higher QoQ, mainly due to a stronger performance at the Russian division



**Adjusted EBITDA** was up QoQ, mainly due to stronger EBITDA at the Russian division



**Net profit** was up QoQ

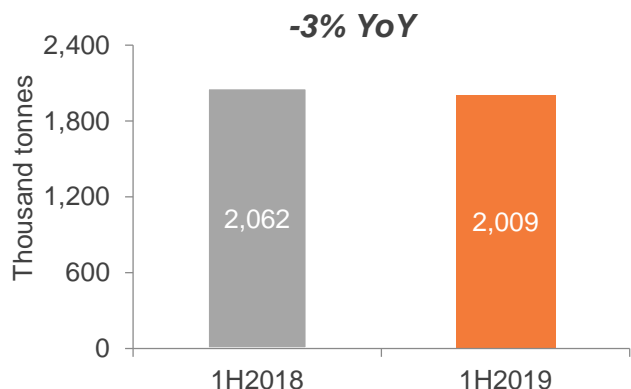


Source: TMK data

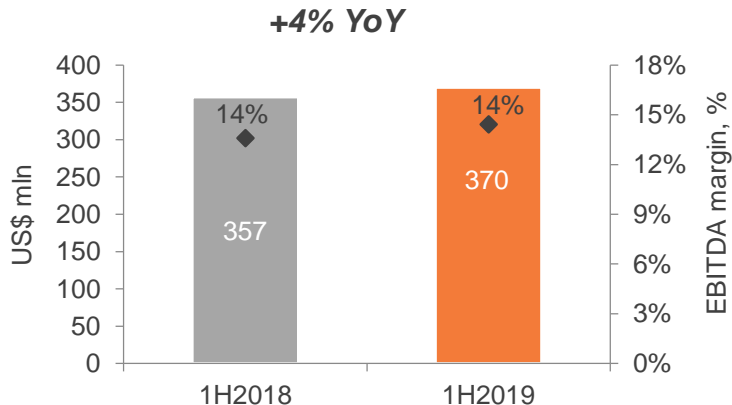


# 1H 2019 vs. 1H 2018 Summary Financial Highlights

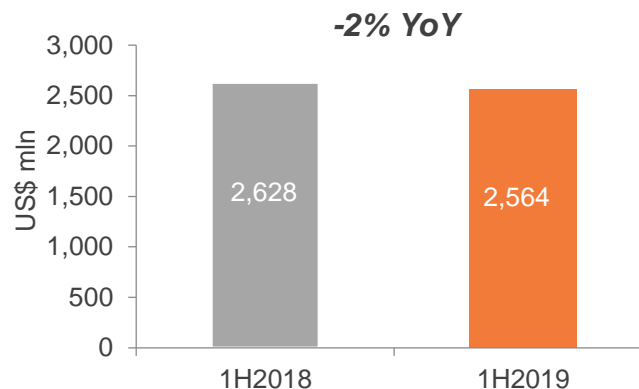
**Sales** declined YoY, mainly due to lower sales at the American division, which was partially compensated by higher sales at the Russian division



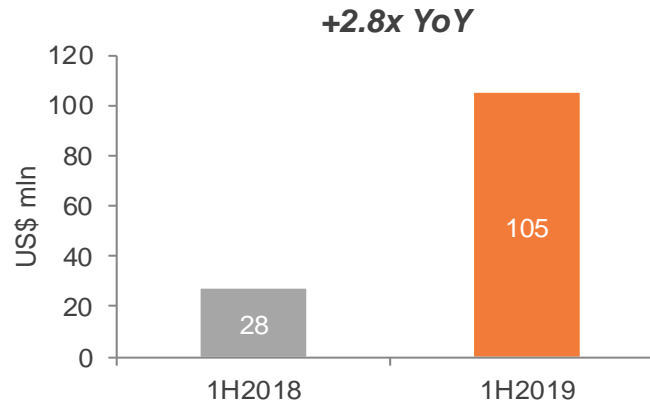
**Adjusted EBITDA** increased YoY, due to a stronger EBITDA at the Russian division, which was partially offset by weaker performance at the American division



**Revenue** declined YoY, mainly due to a lower revenue at the American division. This was partially compensated by higher revenue at the Russian division, despite a negative effect of currency translation



**Net profit** increased YoY, mainly due to a foreign exchange gain recorded in 1H 2019





# Seamless – Core to Profitability

US\$ mln (unless stated otherwise)	2Q2019	QoQ, %	1H2019	YoY, %
---------------------------------------	--------	-----------	--------	-----------

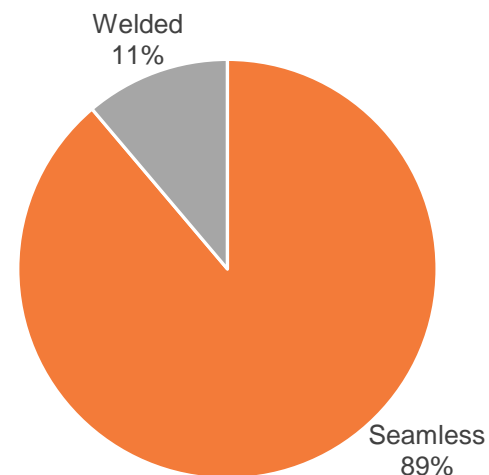
## SEAMLESS

Sales - Pipes, kt	690	1%	1,375	-2%
<b>Revenue</b>	<b>906</b>	1%	<b>1,804</b>	0%
Gross profit	217	2%	429	5%
Margin, %	24%		24%	
Avg revenue/tonne (US\$)	1,314	0%	1,313	2%
Avg gross profit/tonne (US\$)	314	1%	312	6%

## WELDED

Sales - Pipes, kt	341	16%	634	-4%
<b>Revenue</b>	<b>350</b>	14%	<b>657</b>	-5%
Gross profit	31	36%	54	24%
Margin, %	9%		8%	
Avg revenue/tonne (US\$)	1,026	-2%	1,036	0%
Avg gross profit/tonne (US\$)	92	17%	86	30%

## 1H 2019 gross profit breakdown



- Sales of seamless pipe generated 70% of total revenues in 1H 2019
- Gross profit from seamless pipe sales represented 89% of 1H 2019 total gross profit
- Gross profit margin from seamless pipe sales amounted to 24% in 1H 2019

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 – Summary Financial Accounts**





# Key Consolidated Financial Highlights

(US\$mIn) <sup>(a)</sup>	2018	2017	2016	2015	2014	2013
<b>Revenue</b>	<b>5,099</b>	<b>4,394</b>	<b>3,338</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>
<b>Adjusted EBITDA<sup>(b)</sup></b>	<b>700</b>	<b>605</b>	<b>530</b>	<b>651</b>	<b>829</b>	<b>986</b>
<i>Adjusted EBITDA Margin<sup>(b)</sup> (%)</i>	<i>14%</i>	<i>14%</i>	<i>16%</i>	<i>16%</i>	<i>14%</i>	<i>15%</i>
Profit (Loss)	0	30	166	-368	-217	215
<i>Net Profit Margin (%)</i>	<i>0%</i>	<i>1%</i>	<i>5%</i>	<i>n/a</i>	<i>n/a</i>	<i>3%</i>
Pipe Sales ('000 tonnes)	3,989	3,784	3,458	3,871	4,402	4,287
Average Net Sales/tonne (US\$) <sup>(c)</sup>	1,278	1,162	965	1,066	1,365	1,500
Cash Cost per tonne (US\$) <sup>(d)</sup>	981	862	692	783	1,030	1,108
Cash Flow from Operating Activities	510.3	312	476	684	595	703
Capital Expenditure <sup>(e)</sup>	273.1	236	175	208	293	397
Total Debt <sup>(f)</sup>	2,867	3,239	2,836	2,801	3,223	3,694
Net Debt <sup>(f)</sup>	2,437	2,688	2,479	2,471	2,939	3,568
Short-term Debt/Total Debt	31%	18%	9%	21%	24%	11%
Net Debt/Adjusted EBITDA	3.48x	4.4x	4.7x	3.7x	3.5x	3.6x
Adjusted EBITDA/Finance Costs	2.9x	2.3x	2.0x	2.3x	3.6x	3.9x

Source: TMK Consolidated Financial Statements for 2018, 2017, 2016, 2015 and 2014

(a) IFRS financials figures were rounded for the presentation's purposes. Minor differences with FS may arise due to rounding

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual 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 loans and borrowings less interest payable; Net Debt represents Total debt less cash and cash equivalents and short-term financial investments



# Income Statement

<i>(US\$ mln)</i>	2018	2017	2016	2015	2014	2013
<b>Revenue</b>	<b>5,099</b>	<b>4,394</b>	<b>3,338</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>
Cost of sales	(4,183)	(3,521)	(2,634)	(3,282)	(4,839)	(5,074)
<b>Gross Profit</b>	<b>916</b>	<b>872</b>	<b>704</b>	<b>845</b>	<b>1,169</b>	<b>1,358</b>
Selling and Distribution Expenses	(231)	(261)	(220)	(260)	(350)	(379)
General and Administrative Expenses	(250)	(231)	(196)	(207)	(278)	(317)
Advertising and Promotion Expenses	(7)	(7)	(6)	(8)	(14)	(12)
Research and Development Expenses	(7)	(11)	(11)	(13)	(15)	(13)
Other Operating Expenses, Net	(22)	(34)	(4)	(35)	(35)	(34)
Foreign Exchange Gain / (Loss)	(72)	28	130	(141)	(301)	(49)
Finance Costs, Net	(232)	(268)	(263)	(269)	(226)	(245)
Other	(50)	(10)	35	(354)	(150)	5
<b>Income / (Loss) before Tax</b>	<b>45</b>	<b>78</b>	<b>169</b>	<b>-443</b>	<b>-201</b>	<b>312</b>
Income Tax (Expense) / Benefit	(45)	(48)	(4)	75	(15)	(98)
<b>Net Income / (Loss)</b>	<b>(0)</b>	<b>30</b>	<b>165</b>	<b>(368)</b>	<b>(217)</b>	<b>215</b>

Source: TMK Consolidated Financial Statements for 2018, 2017, 2016, 2015 and 2014

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.

(a) Calculated as Finance income less Finance costs



# Statement of Financial Position

<i>(US\$ mln)</i>	2018	2017	2016	2015	2014	2013
<b>ASSETS</b>						
Cash and Cash Equivalents	392	491	277	305	253	93
Accounts Receivable	878	871	689	512	728	995
Inventories	1,066	1,121	769	785	1,047	1,324
Prepayments	101	139	107	113	113	148
Other Financial Assets	13	0	42	0	1	0
<b>Total Current Assets</b>	<b>2,450</b>	<b>2,624</b>	<b>1,883</b>	<b>1,715</b>	<b>2,142</b>	<b>2,561</b>
<b>Total Non-current Assets</b>	<b>2,554</b>	<b>2,913</b>	<b>2,853</b>	<b>2,697</b>	<b>3,508</b>	<b>4,857</b>
<b>Total Assets</b>	<b>5,004</b>	<b>5,537</b>	<b>4,736</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>
<b>LIABILITIES AND EQUITY</b>						
Accounts Payable	744	950	735	682	831	1,111
ST Debt	906	610	268	600	764	398
Other Liabilities	345	178	48	41	48	62
<b>Total Current Liabilities</b>	<b>1,995</b>	<b>1,738</b>	<b>1,051</b>	<b>1,323</b>	<b>1,643</b>	<b>1,571</b>
LT Debt	1,978	2,725	2,650	2,201	2,459	3,296
Deferred Tax Liability	92	82	90	110	206	298
Other Liabilities	121	59	47	64	71	125
<b>Total Non-current Liabilities</b>	<b>2,191</b>	<b>2,866</b>	<b>2,786</b>	<b>2,374</b>	<b>2,735</b>	<b>3,718</b>
<b>Equity</b>	<b>818</b>	<b>933</b>	<b>899</b>	<b>715</b>	<b>1,271</b>	<b>2,130</b>
Including Non-Controlling Interest	47	50	55	53	66	96
<b>Total Liabilities and Equity</b>	<b>5,004</b>	<b>5,537</b>	<b>4,736</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>
<b>Net Debt</b>	<b>2,437</b>	<b>2,688</b>	<b>2,479</b>	<b>2,471</b>	<b>2,969</b>	<b>3,600</b>

Source: TMK Consolidated Financial Statements for 2018, 2017, 2016, 2015 and 2014

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

<i>(US\$ mln)</i>	2018	2017	2016	2015	2014	2013
Profit / (Loss) before Income Tax	45	78	169	(443)	(201)	312
<i>Adjustments for:</i>						
Depreciation and Amortisation	268	263	242	251	304	326
Net Finance Cost	232	268	263	269	226	245
Others	137	(260)	(154)	552	479	61
Working Capital Changes	(145)	(253)	(13)	105	(159)	(159)
<b>Cash Generated from Operations</b>	<b>537</b>	<b>349</b>	<b>506</b>	<b>734</b>	<b>648</b>	<b>786</b>
Income Tax Paid	(27)	(38)	(31)	(51)	(53)	(82)
<b>Net Cash from Operating Activities</b>	<b>510</b>	<b>312</b>	<b>476</b>	<b>684</b>	<b>595</b>	<b>703</b>
Capex	(273)	(236)	(175)	(208)	(293)	(397)
Acquisitions	-	1	(11)	(2)	(60)	(38)
Others	18	-	106	25	10	12
<b>Net Cash Used in Investing Activities</b>	<b>(255)</b>	<b>(235)</b>	<b>(81)</b>	<b>(185)</b>	<b>(343)</b>	<b>(423)</b>
Net Change in Borrowings	(46)	318	(53)	(193)	154	(93)
Others	(305)	(197)	(365)	(187)	(206)	(313)
<b>Net Cash Used in Financing Activities</b>	<b>(351)</b>	<b>121</b>	<b>(418)</b>	<b>(381)</b>	<b>(53)</b>	<b>(407)</b>
Net Foreign Exchange Difference	(4)	17	(5)	(65)	(40)	(5)
Cash and Cash Equivalents at January 1	491	277	305	253	93	225
<b>Cash and Cash Equivalents at YE</b>	<b>392</b>	<b>491</b>	<b>277</b>	<b>305</b>	<b>253</b>	<b>93</b>

Source: TMK Consolidated Financial Statements for 2018, 2017, 2016, 2015 and 2014

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

(a) Calculated as Finance costs less Finance income

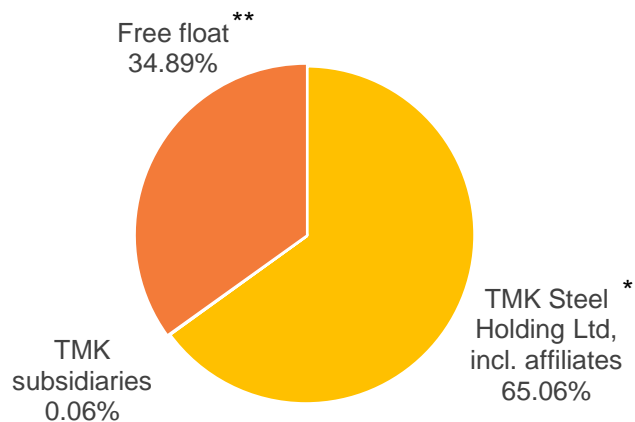


## **Appendix – Capital Structure**



# Capital Structure

## Capital structure



\*The beneficiary is Dmitry Pumpyanskiy, Chairman of the Board of Directors of TMK. Includes shares owned by TMK Steel Holding Ltd and subsidiaries of TMK

\*\*Including Rusnano (5.3%)

Source: TMK

## Key considerations

- TMK's securities are listed on the London Stock Exchange and the Moscow Exchange
- As of June 30, 2019, 35% of TMK ordinary shares were in free float
- Total shares outstanding amount to 1,033,135,366
- One GDR represents four ordinary shares



## Appendix – TMK Products



# Wide Range of Products

## Seamless



**OCTG**

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



**Line Pipe**

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



**Industrial**

Automotive, machine building, and power generation sectors.

## Welded



**OCTG**

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



**Line Pipe**

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



**Large-Diameter**

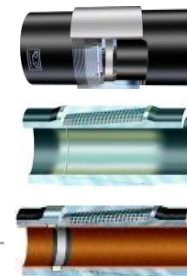
Construction of trunk pipeline systems for the long distance transportation of natural gas, crude oil and petroleum products.



**Industrial**

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

## Premium



**Premium Connections (TMK UP)**

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.

## Oilfield Services

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

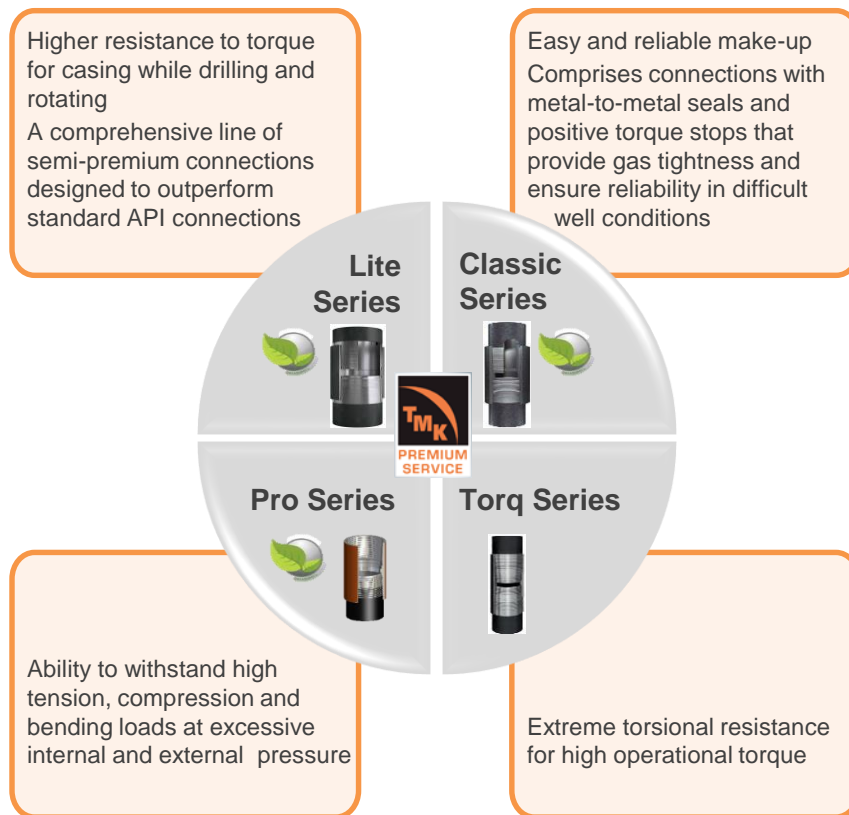






# TMK Premium Product Offering

## TMK connections series



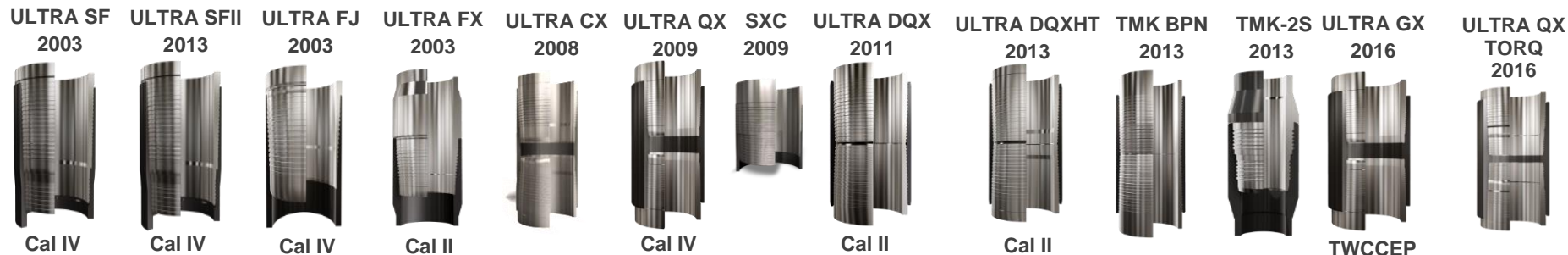
## Premium products and services

- TMK to maintain its share of premium connections market with greater focus on sales of 2<sup>nd</sup> and 3<sup>rd</sup> generation premium connections to improve sales efficiency and enhance competitive advantage
- TMK is actively developing HI-TECH products for unconventional reserves, including offshore deposits:
  - OCTG: with Premium threading, Cr13, GreenWell technology, alloy OCTG (L80, C90, T95, P110) mostly with Premium threading
  - Stainless steel pipe
  - Pipe with increased corrosion resistance
  - Vacuum insulated tubing
  - LDP

Pipes with premium connections are designed for O&G wells developed in challenging exploration and production conditions, including offshore, deep-sea and Far North locations, as well as for horizontal and directional wells

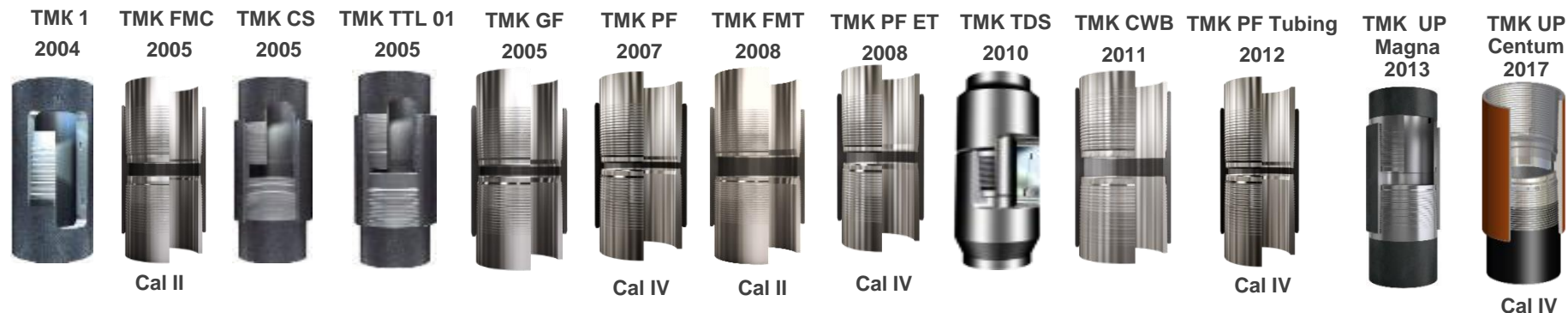


# Premium Solutions: TMK UP



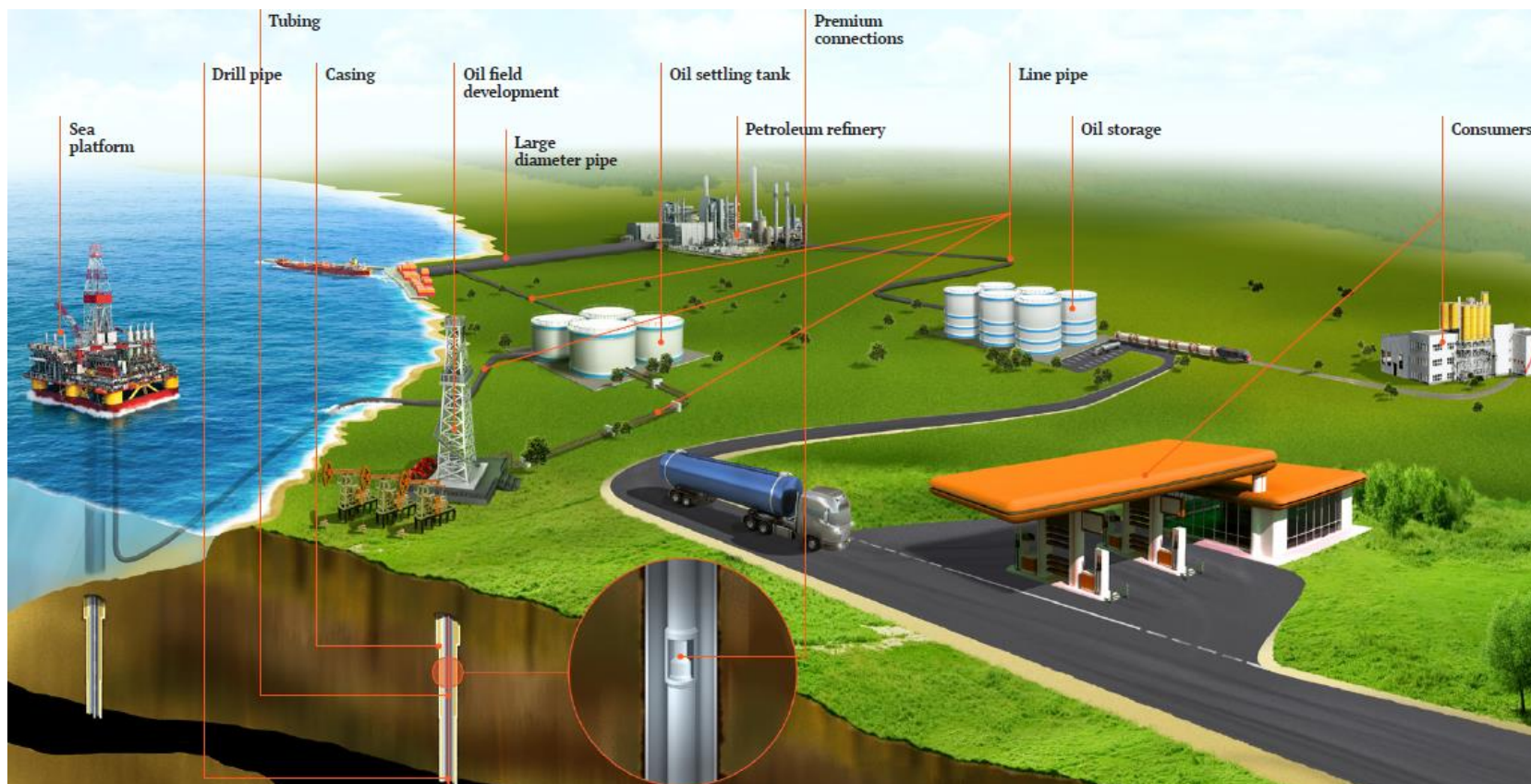
## Unique range of Premium products

- 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 (48% of total sales in 1H 2019)
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas (19% of total sales in 1H 2019)
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products (12% of total sales in 1H 2019)

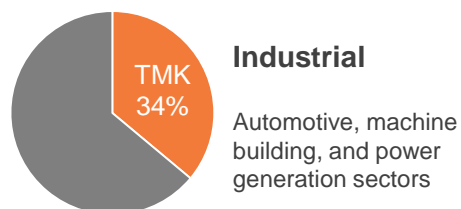
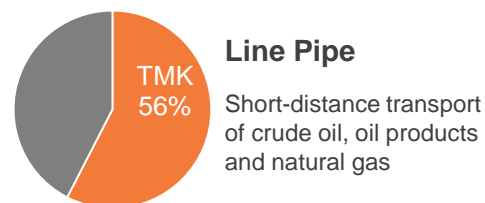
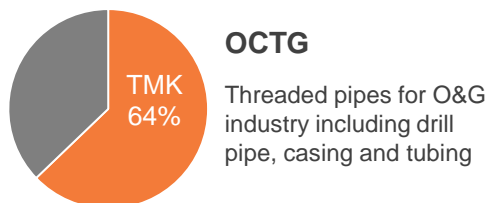


## Appendix – Other Materials

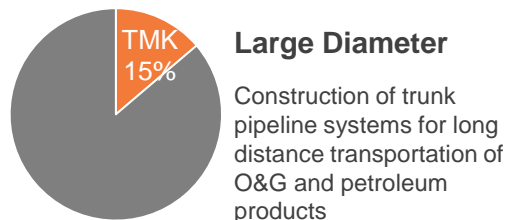
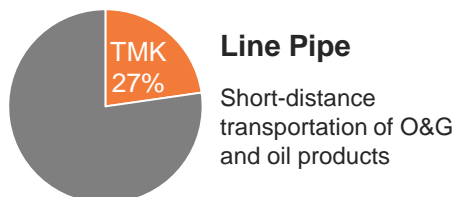


# TMK's Undisputed Market Leading Position in Russia

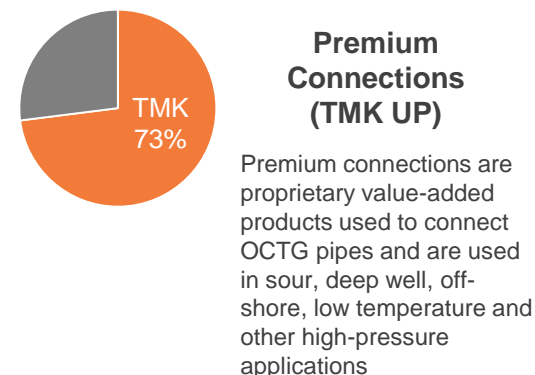
## Seamless



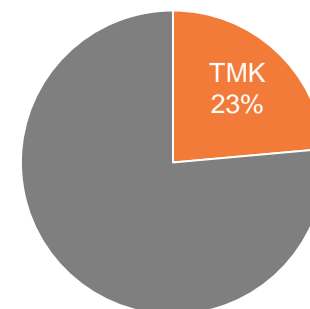
## Welded



## Premium



## #1 in the Russian Tube and Pipe Market





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