



# TMK IR PRESENTATION



May 2020

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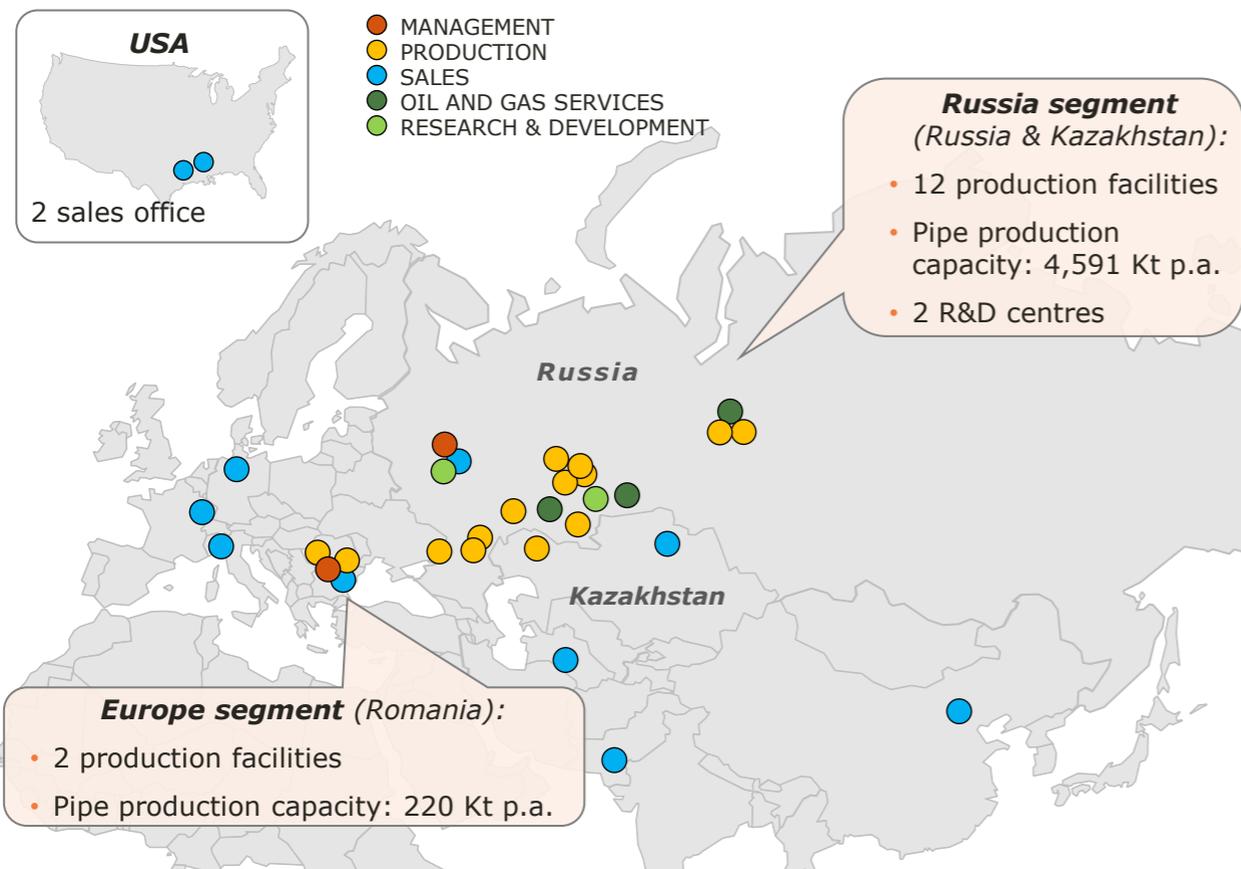


# Company Overview

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



## One of the largest steel pipe producers globally



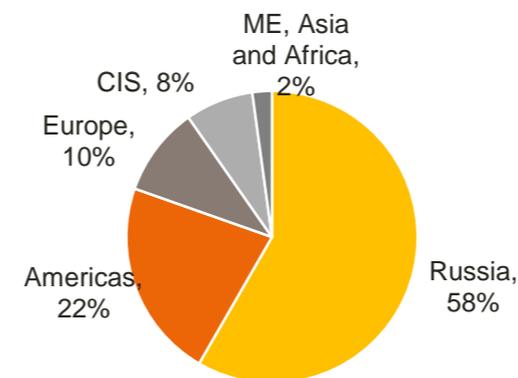
### Key operating indicators<sup>(a)</sup>

#### Pipe sales (kt)

	2017	2018	2019
Pipe sales (kt)	3,784	3,989	3,828

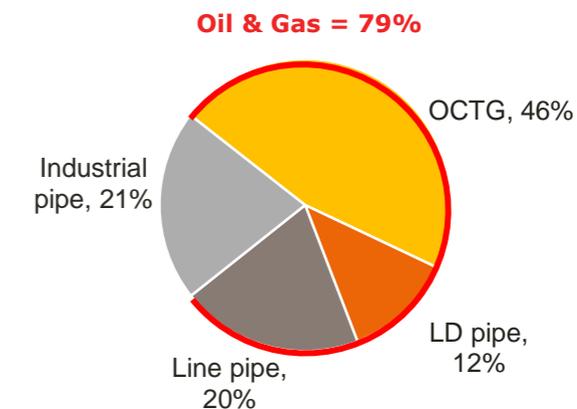
## TMK sales by region<sup>(a)</sup>

(12M 2019, revenue)



## TMK sales by product<sup>(a)</sup>

(12M 2019, in tonnes)



## Key financial indicators<sup>(a)</sup>

	US\$m			Rub mln	
	2017	2018	2019	2018	2019
Revenue	4,394	5,099	4,767	319,399	308,378
Adj. EBITDA <sup>(b)</sup>	605	700	688	44,052	44,138
Margin (%)	14%	14%	14%	14%	14%
Operating FCF <sup>(c)</sup>	372	427	469	26,877	29,955
Net Profit (Loss)	30	(0)	66	2,142	3,946
Net Debt	2,688	2,437	2,503	169,233	151,718

Source: TMK data

Notes: (a) annual results include IPSCO (discontinued operations). For detailed breakdown of key financial metrics for continued and discontinued operations please refer to Appendix and TMK financial statements

(b) Adjusted EBITDA for PAO TMK represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, 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) Operating FCF calculated as Adjusted EBITDA less CAPEX

# IPSCO Sale



## Key highlights of the Transaction

- 22 Mar 2019**

  - ✓ Stock Purchase Agreement signed with Tenaris
  - ✓ US\$1,209m agreed aggregate cash-free, debt-free price
- 18 Dec 2019**

  - ✓ The U.S. Department of justice approved Tenaris's acquisition of IPSCO from TMK
- 2 Jan 2020**

  - ✓ Transaction successfully closed

## Transaction benefits for TMK

- 
 In line with the strategy of international assets' monetization
- 
 Allows to reduce leverage and focus on the key markets: Russia and Europe
- 
 Retaining TMK's position as one of the leading pipe producers globally even post-IPSCO sale
- 
 Contributes to higher stability of cash flows and margins due to reduced exposure to the U.S. market
- 
 Maintaining TMK's shipments to the North American market due to signing the master distribution agreement with Tenaris, allowing TMK to sell its OCTG and line pipe products to the USA and Canada market for the next 6 years

## The Americas segment key operating and financial indicators<sup>(a)</sup>

(US\$m)	2016	2017	2018	2019
Pipe sales (kt)	282	673	804	520
Revenue	368	989	1,349	889
Adj. EBITDA <sup>(b)</sup>	(72)	114	164	30
Margin (%)	neg.	11.5%	12.1%	3.3%

## Transaction benefits for TMK

- The consideration received by TMK, following contractual adjustments, amounted to \$1,067 million (as estimates as of the closing date)
- The majority of the proceeds received by TMK from the sale of IPSCO were used to repay TMK's indebtedness within 60 days from the date when such proceeds were received
- TMK continues focusing on deleveraging, aiming to achieve a long-term target Net Debt to Adjusted EBITDA ratio of 2.5x or lower

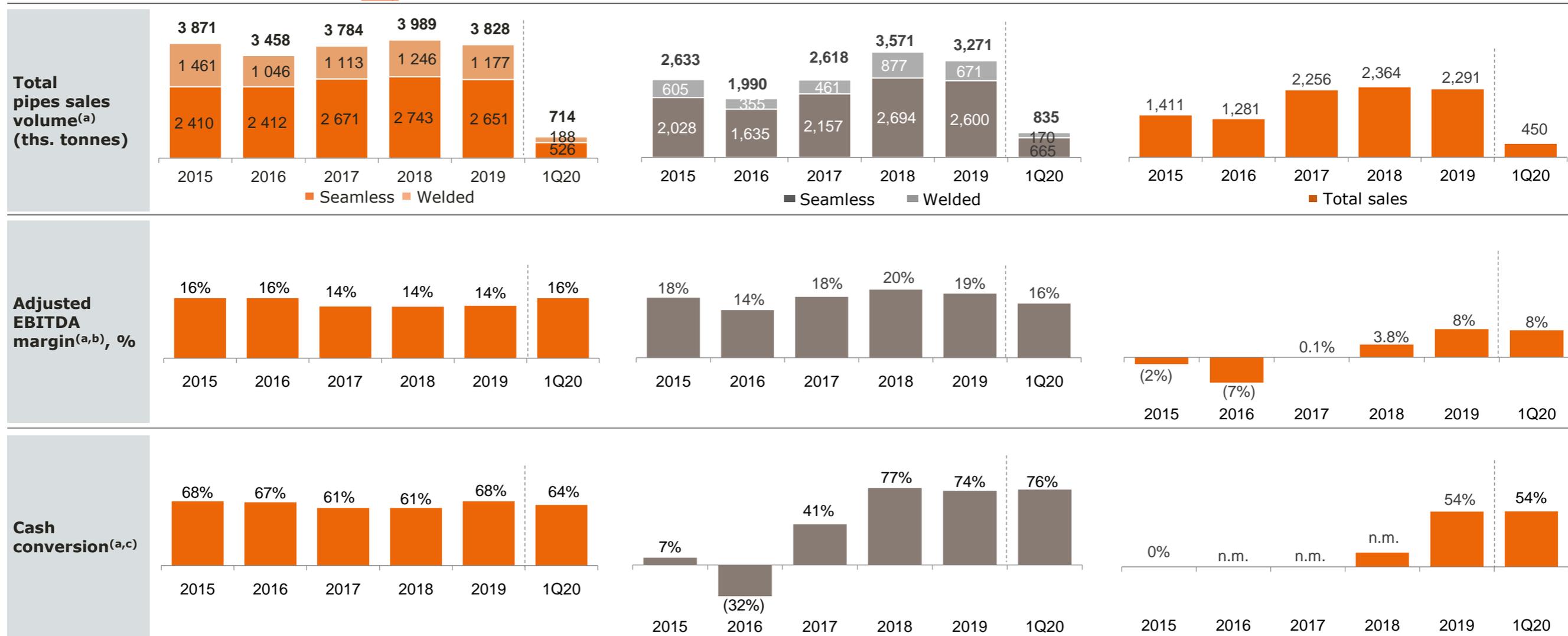
Source: TMK data  
 Notes: (a) The Americas segment financial information disclosed in the IFRS statements mostly consisted of IPSCO's results  
 (b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, 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 Today – Key Investment Highlights



Source: Company data  
Notes:(a) Company estimates for FY 2019

# TMK – Superior Earnings Resilience Through the Cycle



Source: Companies' public reporting

Note: (a) TMK results in 2015-2019 include TMK-IPSCO. Since the beginning of January 2020 TMK-IPSCO was deconsolidated.

(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

(c) Calculated as (Adjusted EBITDA - Capex) / Adjusted EBITDA

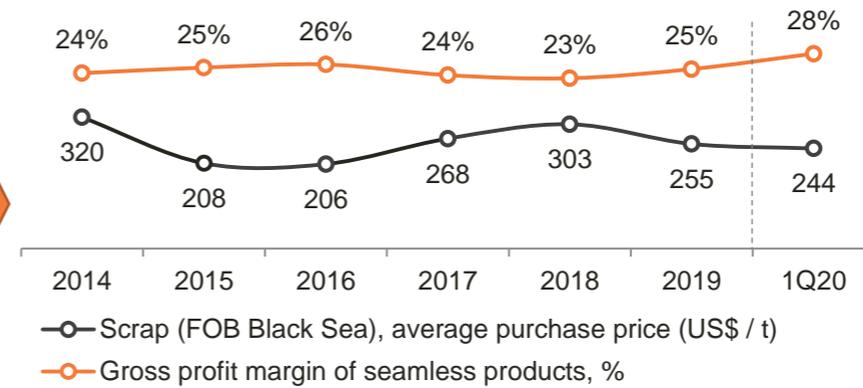
# Vertically Integrated Model Ensuring Margin Resilience



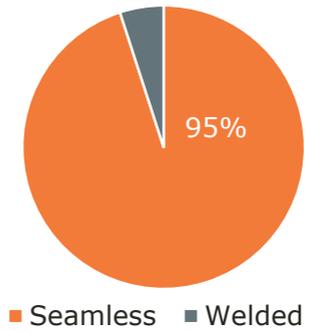
## Production chain

## Deeper integration provides better resilience in margins

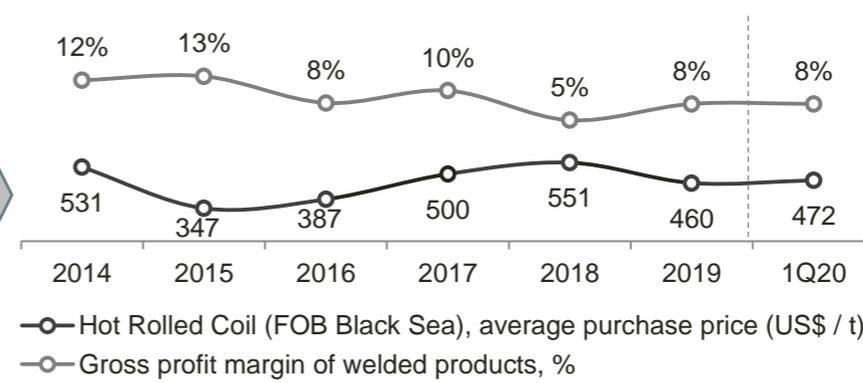
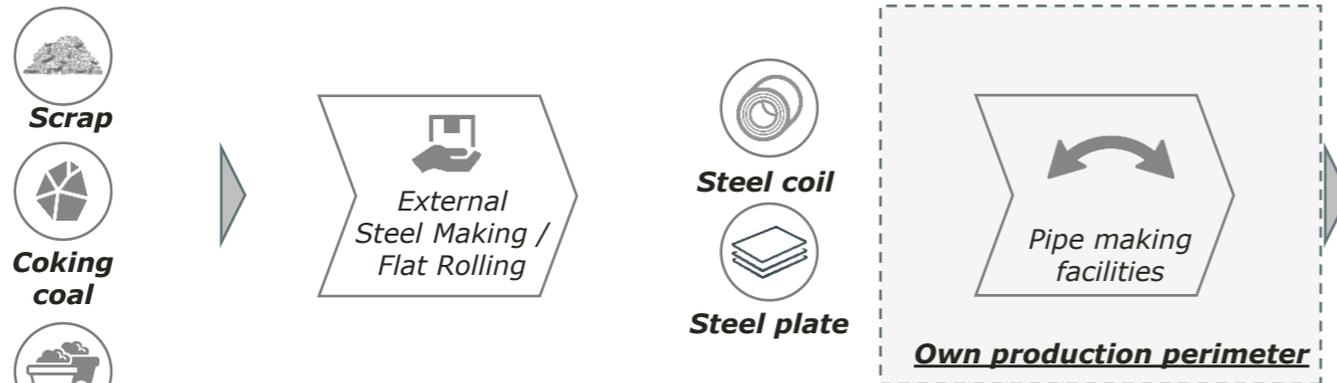
### Seamless products



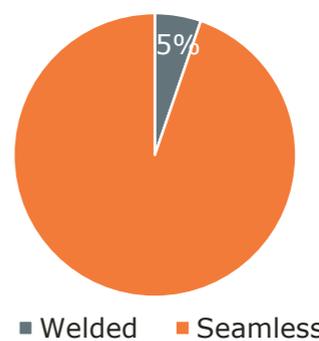
Share in 1Q 2020 Gross profit



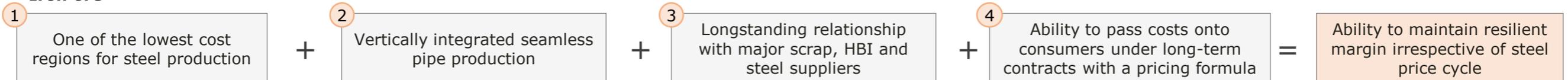
### Welded products



Share in 1Q 2020 Gross profit



Source: Metal Expert, Bloomberg



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



## Automotive



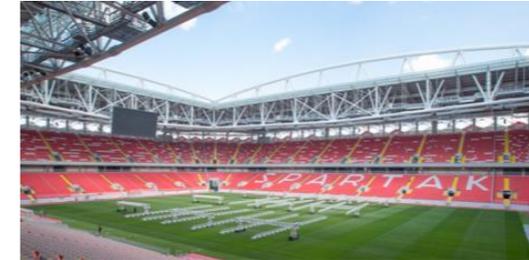
**RENAULT**



**TOYOTA**

- 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



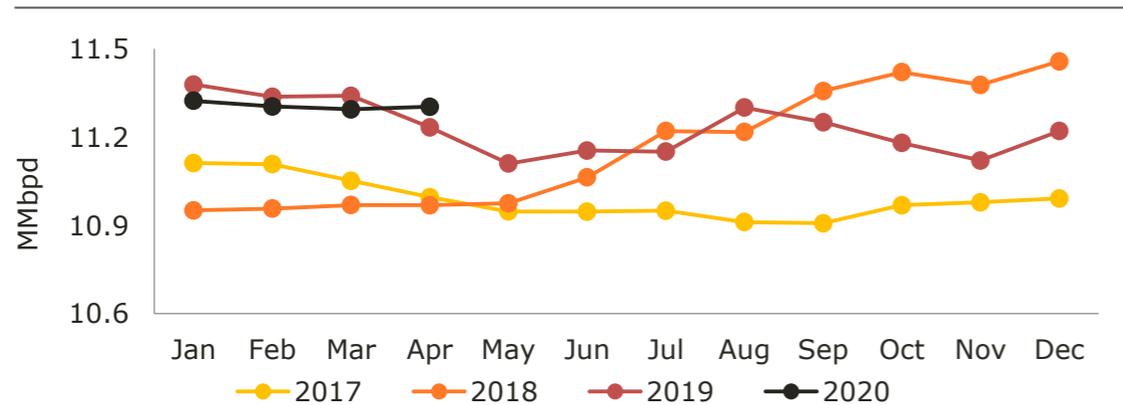
# TMK Russian Division: Market Overview

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



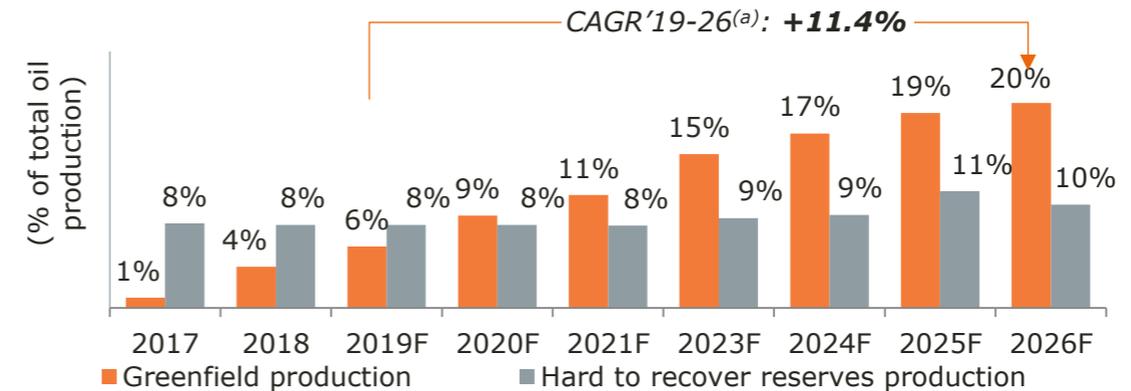
- Annual average oil production (including gas condensate) increased 0.8% YoY and came to 11.25 MMbpd in 2019
- Gradual stagnation of oil production from brownfields is accompanied by development of greenfield projects

## Russian total oil output



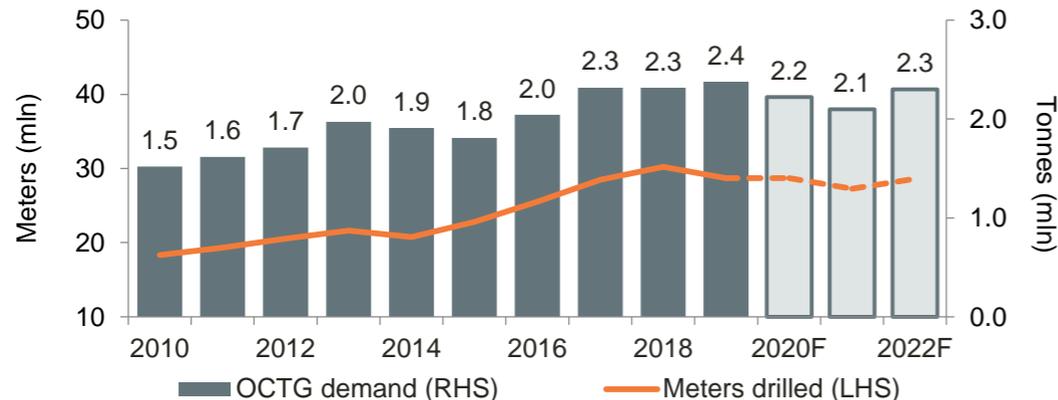
Source: Interfax, Info TEK

## Supported by increasing development of greenfields and hard to recover reserves



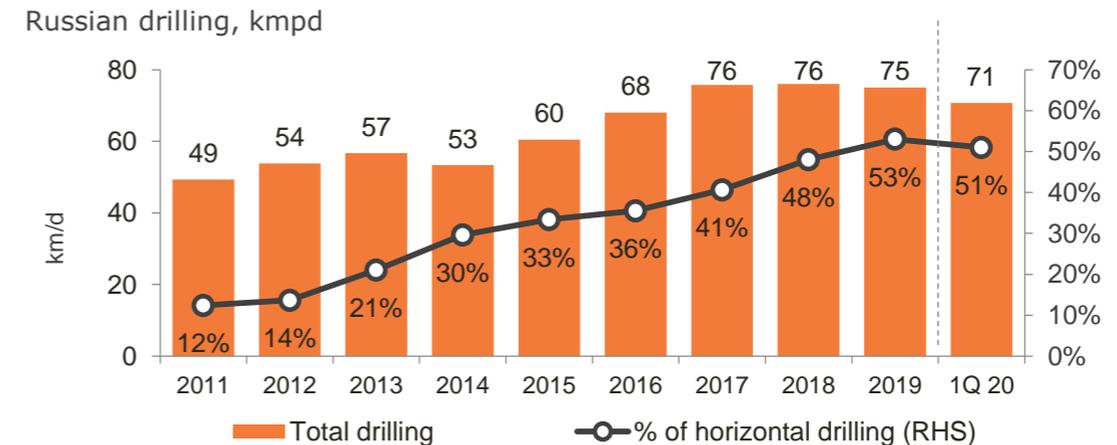
Source: RPI  
Note: (a) corresponds to greenfield production CAGR '19-26

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

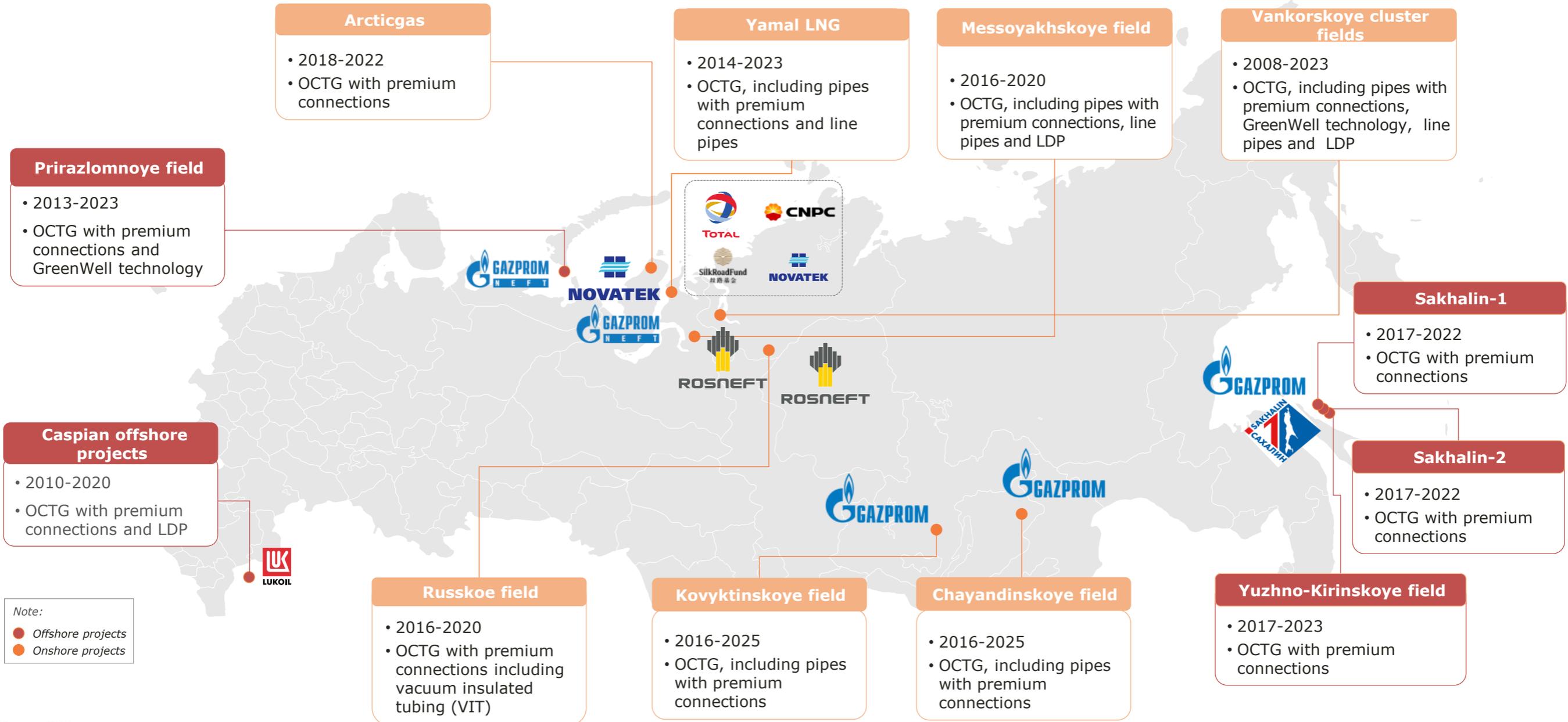


Source: Interfax, Info TEK, Spears & Associates, TMK estimates

## OCTG premium products demand is supported by high share of horizontal drilling



# Attractive Portfolio of Premium OCTG Projects

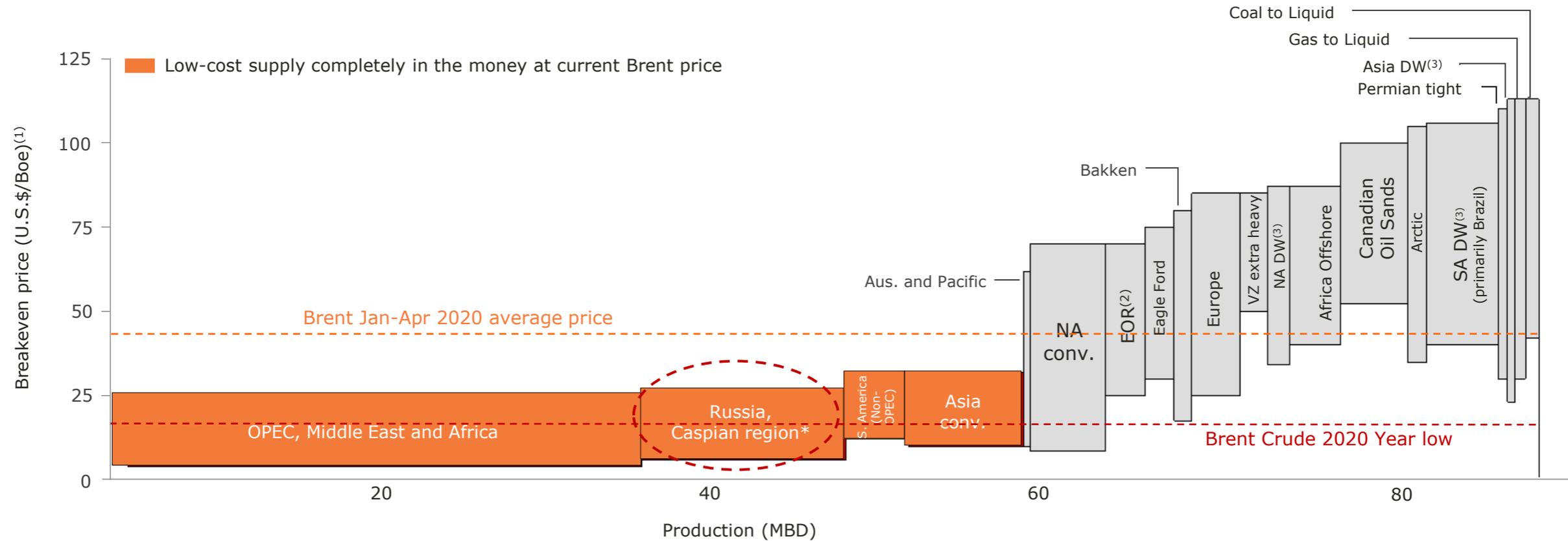


Source: TMK data

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



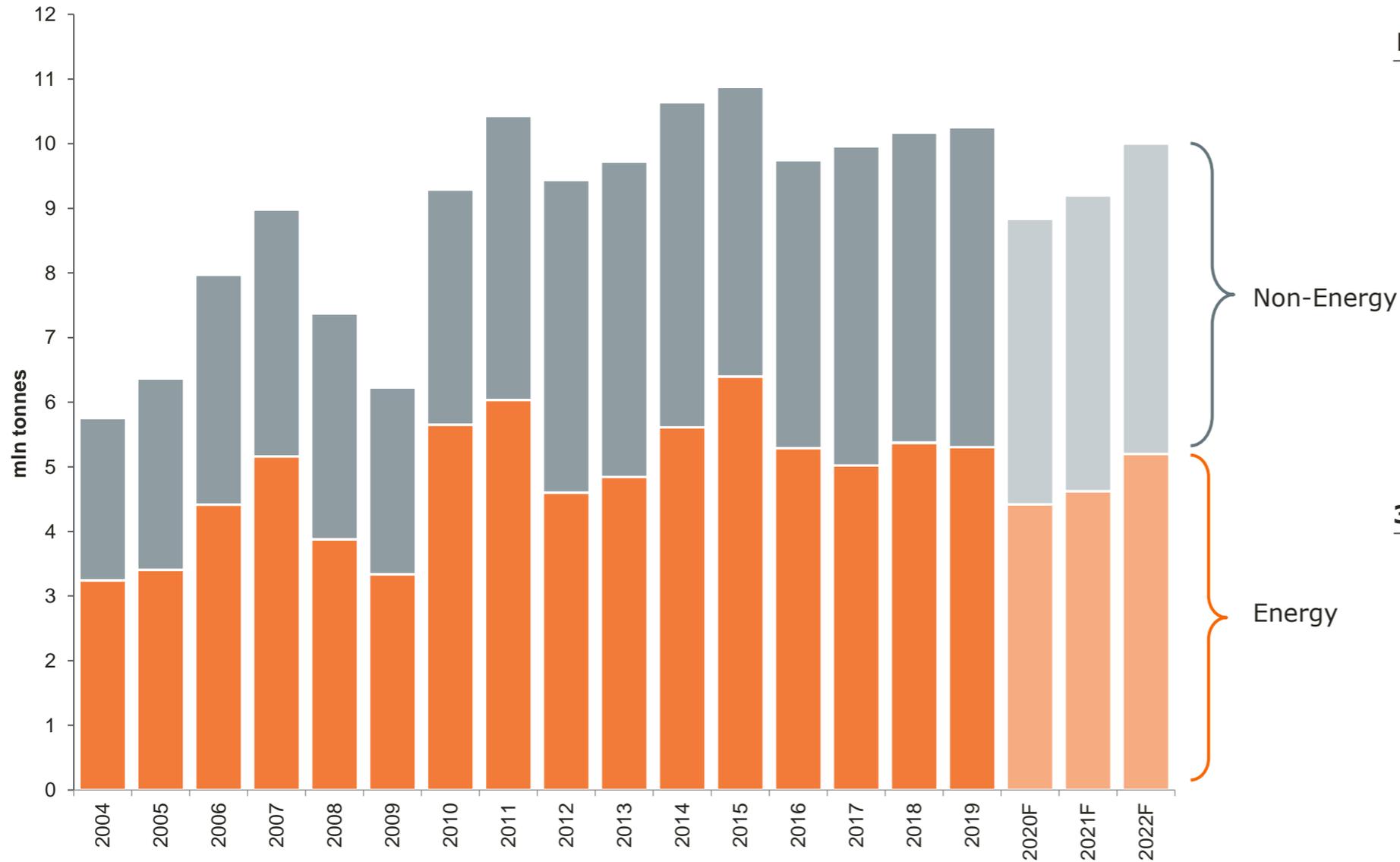
## Global oil production supply curve



Even with oil at 2020 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 (2016); EIA International Energy Outlook (2016); EIA Annual Energy Outlook (2016); Morgan Stanley (2016), Bloomberg (as of 27 Jan 2020)  
 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

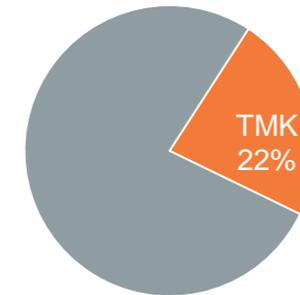
# Russian Tube and Pipe Market



Source: TMK estimates

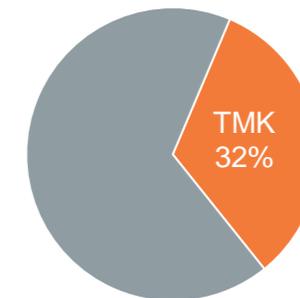
## No.1 on the Russian tube and pipe market

1Q 2020



## 32% market share of energy pipe demand

1Q 2020



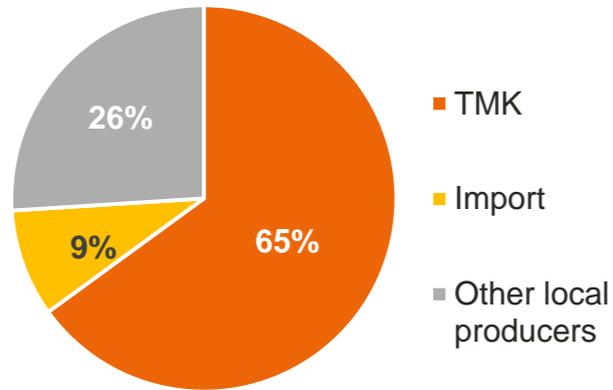
Source: TMK estimates, based on 1Q 2020 numbers

# Strong Position on the Domestic Market



## TMK share of seamless OCTG

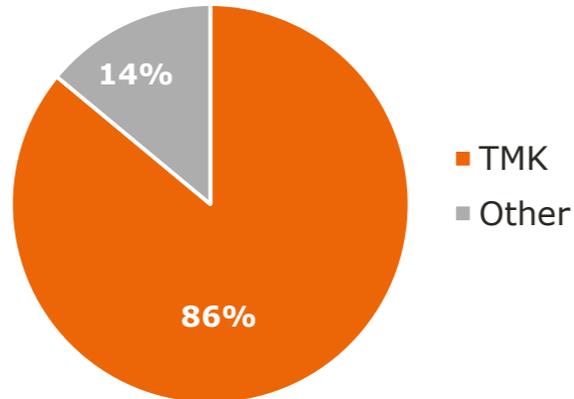
Seamless OCTG market share, %



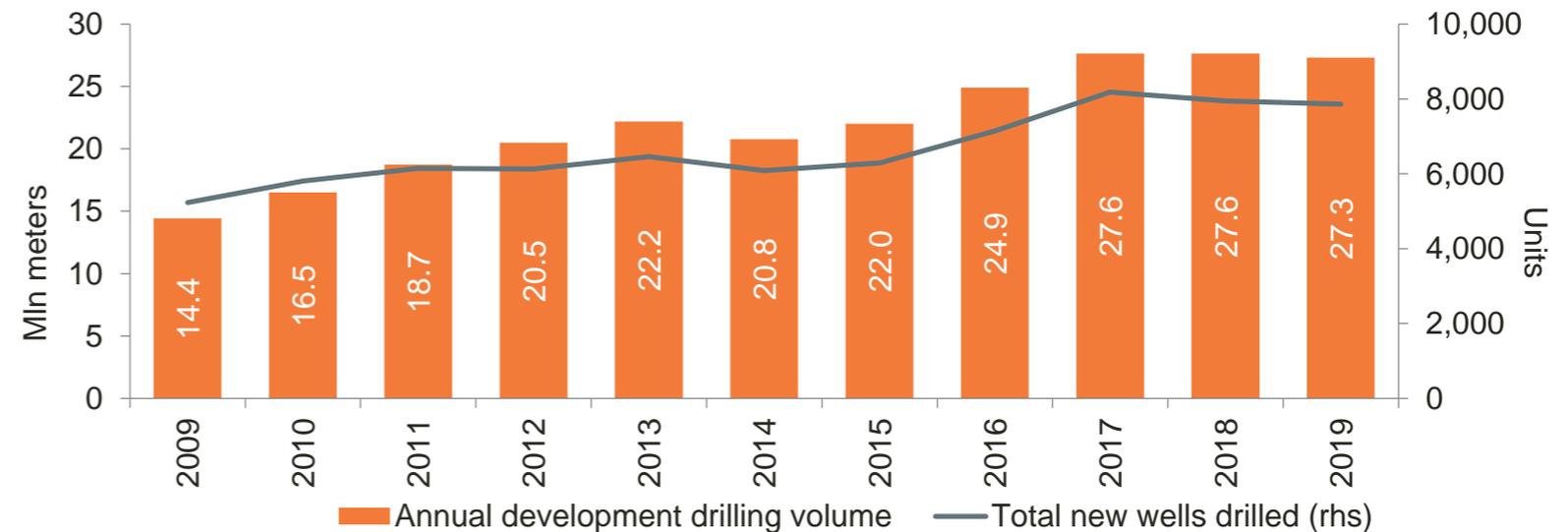
- Further development of conventional and unconventional reserves will require increased share of up-to-date drilling techniques and reliable OCTG products
- Russian seamless OCTG market was stable in 2019
- TMK is a leader in the seamless OCTG production on the Russian market with a more than 60% market share for 12M 2019 and 1Q 2020

## TMK share of premium connections

Premium connections market share, %



## Stable drilling market in Russia



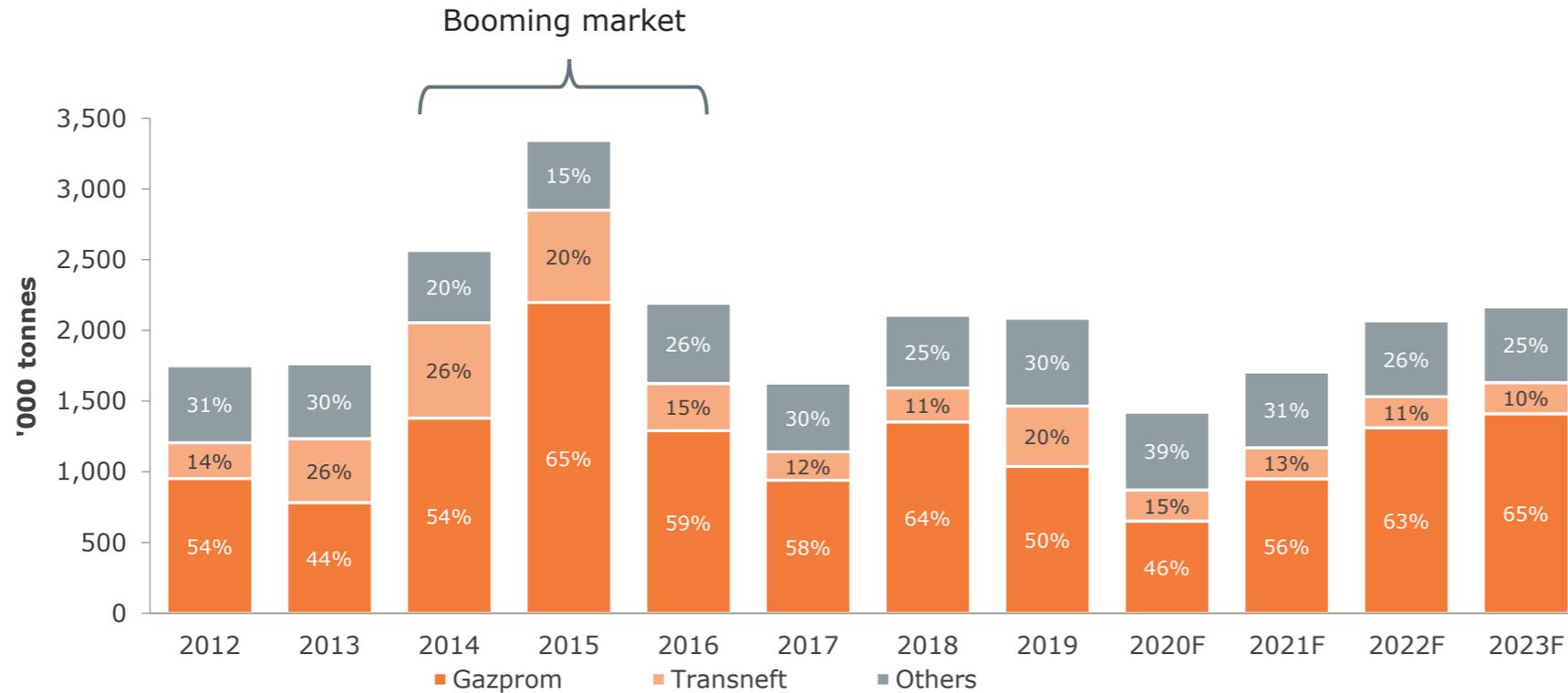
Source: TMK estimates, based on 1Q 2020 numbers

Source: Spears & Associates

# LDP Demand in Russia



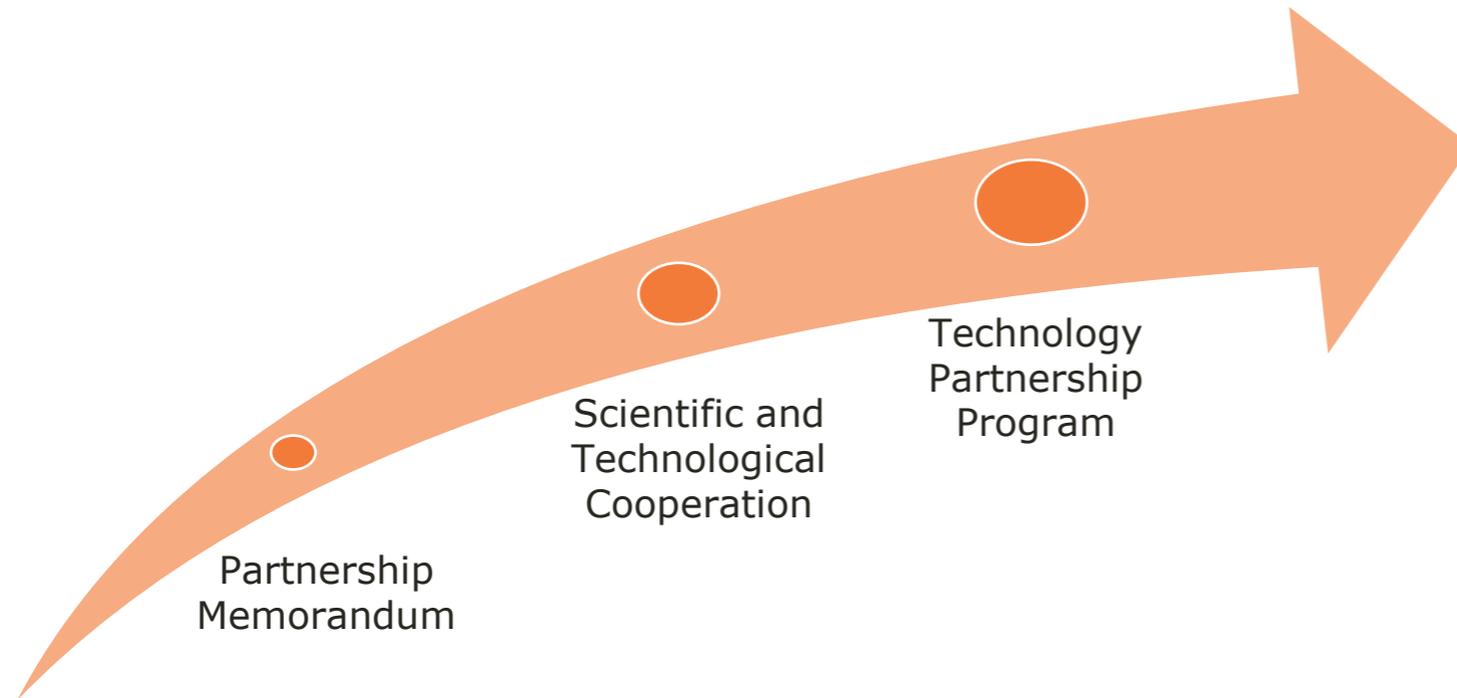
## LDP demand in Russia, 2012–2023E



Source: TMK estimates



- For the next three years we expect the LDP market to be at approximately 2 mln tonnes
- LDP demand in Russia is driven by nation-wide O&G projects and maintenance of the existing O&G infrastructure, with total length of Gazprom and Transneft current pipeline network exceeding 225 thousand kilometers
- Going forward, LDP demand in Russia is expected to be strongly supported by growing needs of Gazprom on the back of potential new projects, such as: Power of Siberia-2, Bovanenkovo-Ukhta 3, Ukhta-Torzhok 3 etc.
- TMK is well-positioned to participate in these projects due to efficient production and low costs, high-quality product offering and well-established relationship with the major customers in the Russian LDP market



## 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

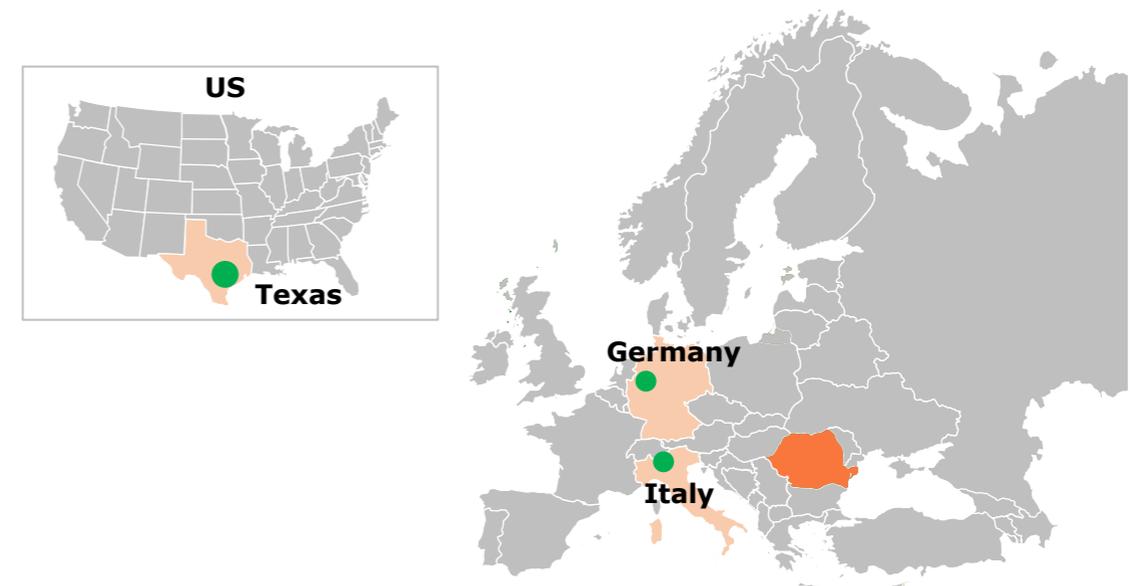
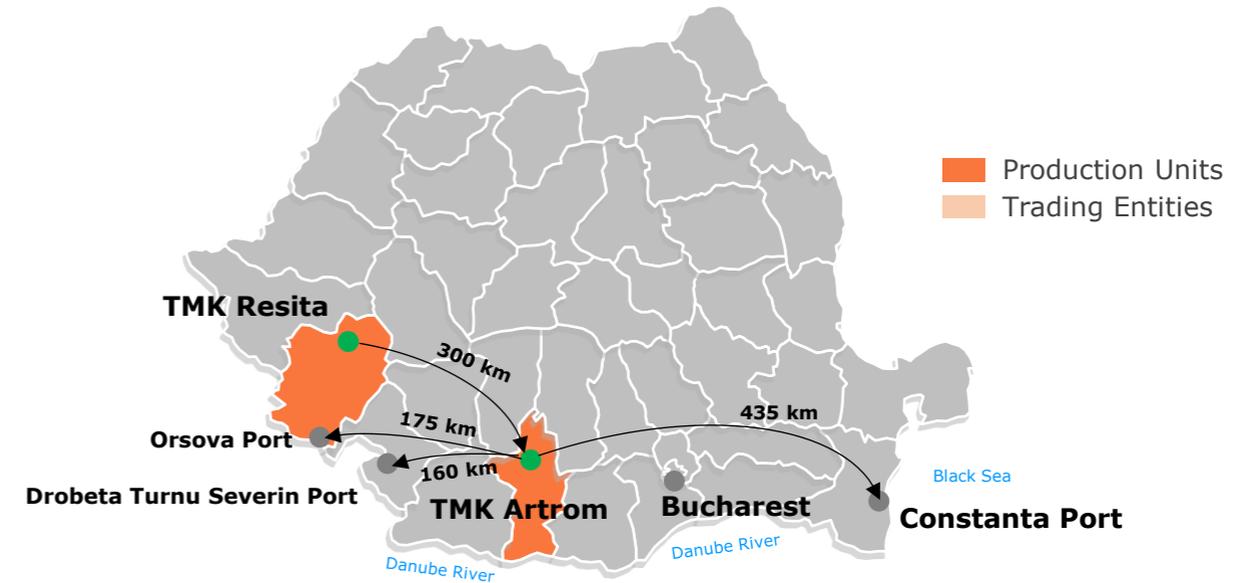


# TMK European Division: Market Overview

# Well Established European Steel Platform With a Strong and Resilient Business Model



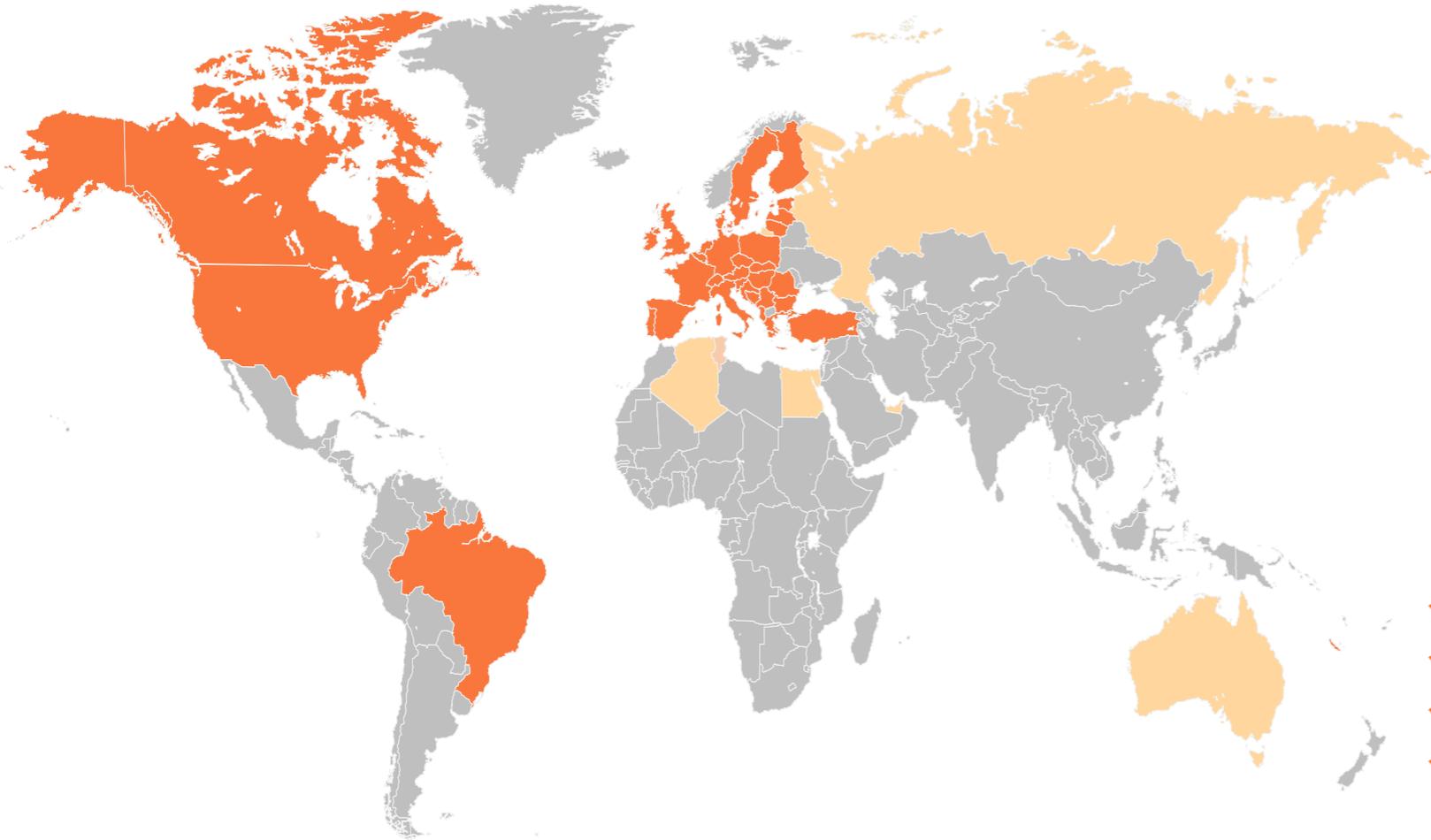
- **VERTICALLY INTEGRATED** → Steel and seamless steel pipes platform integrated upstream with a modern mini-mill and downstream with three trading entities well positioned to serve clients in two of the largest markets worldwide, Europe (including North Africa) and the Americas
- **WELL LOCATED** → Fair geographical location and efficient plant-to-plant and plant-to-port interconnections in Romania complemented by trade defense measures for EU producers
- **COST-COMPETITIVE** → A mix of advantages making TMK-Artrom S.A. a cost-competitive production platform
  - availability of scrap metal in the proximity of production facilities, a key raw material in production, and
  - lower than EU average salaries costs
- **DIFFERENT** → Focused on midmarket clients, with the whole operation designed to be highly flexible in order to address this client type: volumes per charge of steel of 100 tons and orders as small as 5 tons with just-in-time delivery, plus tailor-made products and prompt post-sale services, including site visits



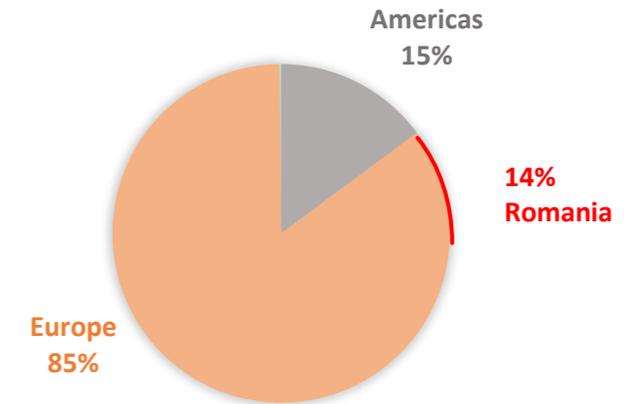
# Diversified And Attractive Global Customer Base



- Core countries
- Others



TMK-ARTROM sales by region in 2019 (in terms of value)



(a) Americas includes also Canada, Brazil, US, Mexico  
(b) Europe includes also Middle East, Turkey and North Africa

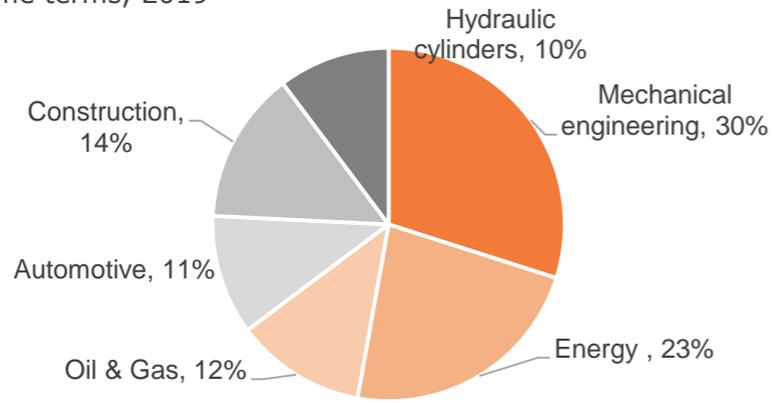
- ✓ 45 countries with a focus on Europe and the Americas
- ✓ Almost 400 permanently active clients
- ✓ Largest client <10% of sales (top 10 clients <25%)
- ✓ # of clients in the Americas doubled and the share of sales of own pipes increased to 15% in 2019 vs. 5% in 2016 due to the launch of a subsidiary (April 2016)

# Distinctive Product and Client Portfolio Decoupling the Company from the Global Steel Market



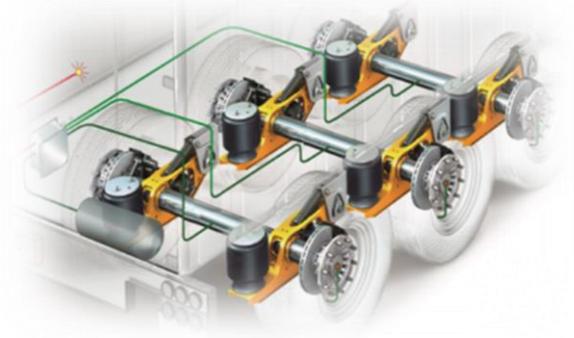
## Strongly positioned in multiple end-markets for pipes, beyond oil & gas...

In volume terms, 2019

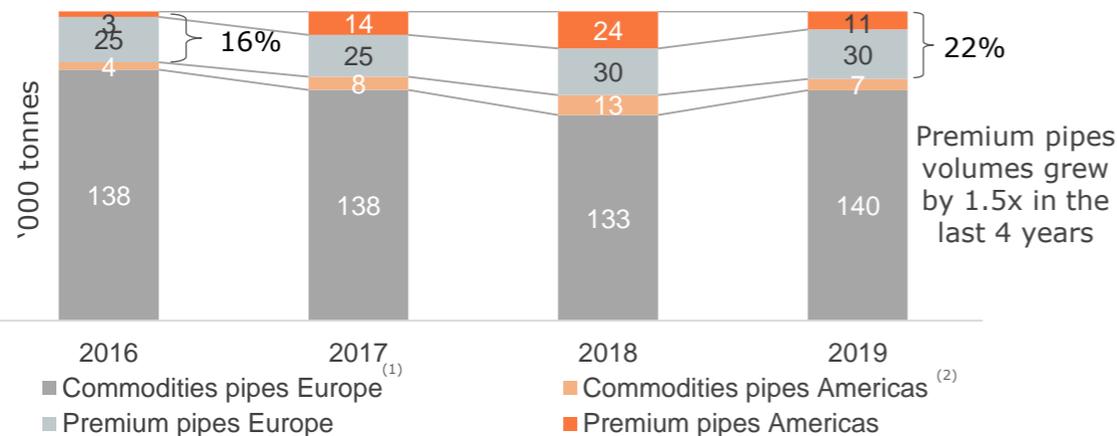


## ...quality oriented and certified for the automotive industry, differentiating the Company from most of its peers

- Up to 11% in the sales mix in 2019
- Able to satisfy one of the most demanding industries in terms of product quality
- Projects co-developed with and pipes supplied to major car manufacturers including some of the most prestigious luxury brands



## Increasing focus on product premiumisation by expanding heat treatment, cold processing and machining...



## ...and by providing niche and tailor-made customer solutions to a market with growing sophistication

- Limited editions under tight deadlines: ability to supply small orders (ca. 1/100 compared to industrial commodity pipes) to car manufacturers under tight just-in-time delivery terms (even down to a minimum of 10 days)
- Rare products for the European market: customized heat treated tubes, including quenched and tempered long tubes with wall thickness up to 60mm
- Very high precision products for highly specialized uses: produced in microns tolerances, a dozen times higher level than industrial commodity pipes; these tubes are ready for use without other machining in hydraulic cylinders and accumulator manufacturing

Source: Company information, Management accounts  
 (1) Europe also includes Middle East, Turkey and North Africa  
 (2) Americas also includes Canada, Brazil, US, Mexico



# Strategic Overview

# Key Strategic Pillars



Enhance leadership in key segments and enter new product niches

- Dominate the Russian OCTG and line pipe markets
- 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 eTrade, the first tubular goods Internet shop in Russia
- Use cutting-edge digital technology to improve product quality and cut costs

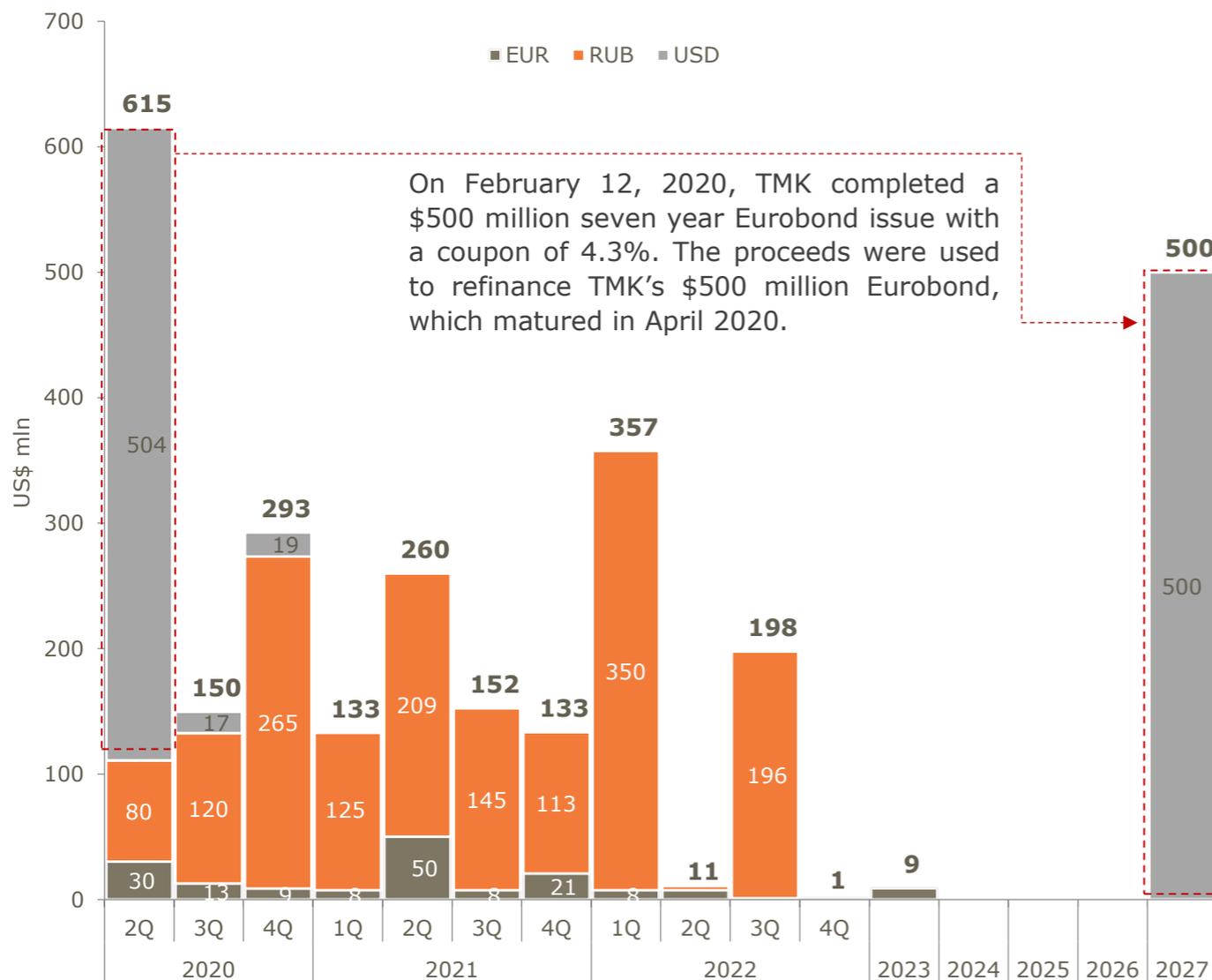
Enhance operational excellence

- 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
- Further leverage reduction

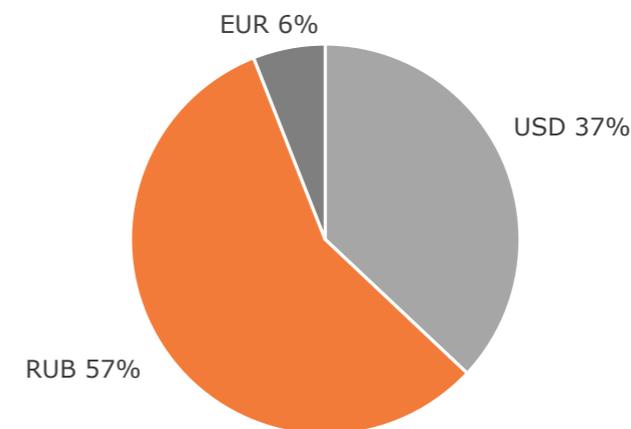
# Debt Maturity Profile as at March 31, 2020



On February 12, 2020, TMK completed a \$500 million seven year Eurobond issue with a coupon of 4.3%. The proceeds were used to refinance TMK's \$500 million Eurobond, which matured in April 2020.

- Net debt decreased from RUB 154.9 billion (\$2.503 billion) as at December 31, 2019 to RUB 108.6 billion (\$1.396 billion\*) as at March 31, 2020.
- In January 2020, TMK closed the sale of IPSCO Tubulars Inc. in line with the Group's strategic objective of reducing the leverage. The consideration received by TMK amounted to \$1.067 billion\*\*. The bulk of the proceeds from the transaction was used to reduce Group debt.
- The weighted average nominal interest rate reduced by 33 bps compared to the end of 2019 to 6.61% as at the end of 1Q 2020
- Credit Ratings:
  - ✓ S&P BB-, Negative
  - ✓ Moody's B1, Positive

## 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.

\* At the rate of the Central Bank of Russia as at March 31, 2020 (USD/RUB = 77.7325)

\*\* Estimated as of the closing date, January 02, 2020

# Environmental, Social & Governance



In 2019 TMK received an MSCI ESG Rating\* of **BB**

Note: (\*) disclaimer link: <https://www.msci.com/documents/1296102/15233886/How-to-Reference-an-MSCI-ESG-Rating-Final.pdf/c2ca92cb-1783-ae6e-d351-f9920c18b79b?t=1564729359833>



Governance.....**2** (as of January 1<sup>st</sup>, 2020)  
 Environmental...**4** (as of January 1<sup>st</sup>, 2020)  
 Social.....**6** (as of January 1<sup>st</sup>, 2020)

*Lower governance risk = 1; Higher governance risk = 10  
 Higher E&S disclosure = 1; Lower E&S disclosure = 10*



## Composition of The Board of Directors

 <p><b>Dmitry Pumpyanskiy</b> <i>Chairman</i> <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ <b>Founder of TMK</b></li> <li>▪ <b>Member of the Board of Directors since 2002</b></li> <li>▪ <b>25+ years of sector experience</b></li> </ul>	
 <p><b>Alexander Shiryayev</b> <i>Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ With TMK since 2003: various senior positions within the Group incl. CEO until 2019</li> </ul>	 <p><b>Sergey Kravchenko</b> <i>Chairman of the Nomination and Remuneration Committee</i></p> <ul style="list-style-type: none"> <li>▪ President of Boeing Russia/CIS since 2002</li> </ul>
 <p><b>Andrey Kaplunov</b> <i>Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ With TMK since 2000: Chairman of the Board of Directors of TMK Russian plants, TMK Trade House</li> </ul>	 <p><b>Natalia Chervonenko</b> <i>Chairman of the Audit Committee</i></p> <ul style="list-style-type: none"> <li>▪ 20+ years of banking experience</li> <li>▪ Board member of a number of industrial companies and banks</li> </ul>
 <p><b>Alexander Pumpyanskiy</b> <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ Chairman of the Board of Directors of SKB-BANK and Sinara Group</li> </ul>	 <p><b>Aleksander Shokhin</b> <i>Chairman of the Strategy Committee</i></p> <ul style="list-style-type: none"> <li>▪ President of Russian Union of Industrialists and Entrepreneurs</li> </ul>
 <p><b>Mikhail Khodorovskiy</b> <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ Member of the Board of Directors of SKB-BANK, Sinara Transport Machines, Sinara Group</li> </ul>	 <p><b>Frank-Detlef Wende</b> <i>Independent Director</i></p> <ul style="list-style-type: none"> <li>▪ Senior academic positions at MADI and Financial University</li> <li>▪ Previously Counsel to President of AvtoVAZ</li> </ul>
 <p><b>Anatoly Chubais</b> <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> <li>▪ Chairman of the Board of Rusnano (investment fund focused on nanotechnology)</li> <li>▪ Previously held various senior political positions</li> </ul>	 <p><b>Yaroslav Kuzminov</b> <i>Independent Director</i></p> <ul style="list-style-type: none"> <li>▪ Rector of National Research University "Higher School of Economics"</li> </ul>

Directors
  Independent Directors
  Chairman of Board Committee

Source: TMK data

## Structure of The Board of Directors



## Board committees

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

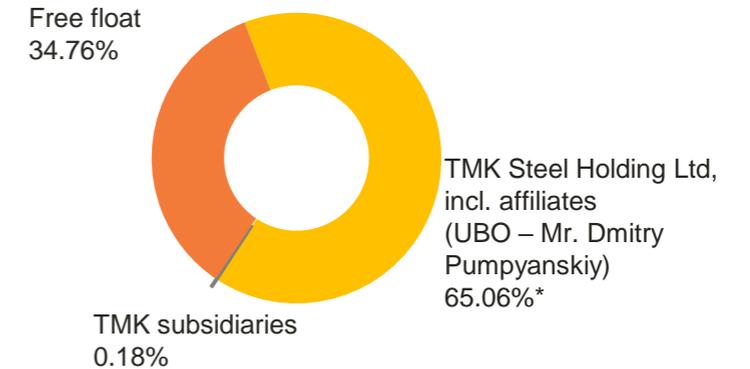


## Corporate governance ratings



**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

## Capital structure, as of December 31, 2019



- TMK's securities are listed on the London Stock Exchange and the Moscow Exchange
- As of December 31, 2019, 34.76% of TMK ordinary shares were in free float
- Total shares outstanding amount to 1,033,135,366
- One GDR represents four ordinary shares

\* 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

# Health, Safety and Environmental Protection as a Foundation for Business Stability



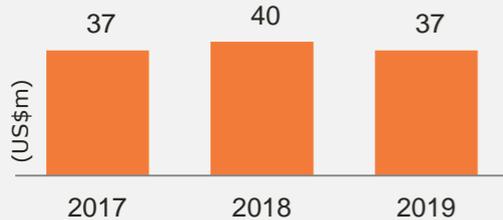
## Environmental management

**TMK in 2019 adopted a new Environmental policy**

**>20 CAPEX projects in 2019**

**Key areas:** water basin protection, air protection and soil protection

**Environmental expenditures**



**Water and Waste management key results in 2019:**

**↓4% YoY** of total water consumption

**↓3% YoY** of wastewater discharge to natural water bodies

**95.7%** of water recycled and reused by the Russian Division

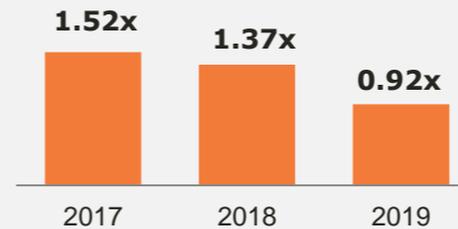
**↓9% YoY** of waste generation

## Health & Safety

**Annual Steel Safety Day**

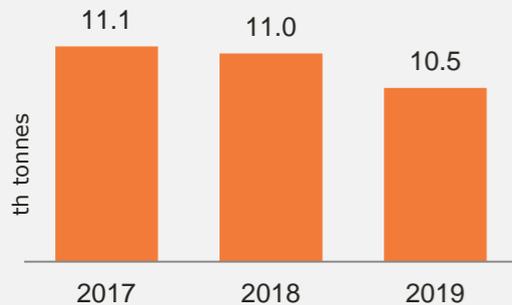
- Over 40k employees participated
- 100% of production sites took part in Steel Safety Day 2019

**Injury frequency rate<sup>(a)</sup>**



**Total pollutant emissions**

**↓4% YoY** pollutant emission in 2019



**Greenhouse Gas Emissions**

**Improved GHG data disclosure in 2019**

**1.296 mn tonnes**

**Direct GHG emissions of CO2 equivalent in 2019**

**↓4% YoY** reduction of total tonnes of GHG emissions due to optimizing operations and improving process solutions

**Number of accidents 31% down**

**In 2019**

**Zero fatalities**

**In 2018 and 2019**

**US\$10.6m +10% YoY**

**Invested in safe working environment measures in Russian and European divisions in 2019**

**Focus on best practices**

- All certified TMK facilities confirmed compliance with OHSAS 18001
- Preparations for and participation in the Russia Health and Safety Week and Safety and Labor Protection (BIOT) international specialized exhibition

**Comprehensive charity program**

- Supporting favourable social climate in the regions of operations

Source: TMK data

Notes: (a) Number of people injured over a year for each 1 million hours worked

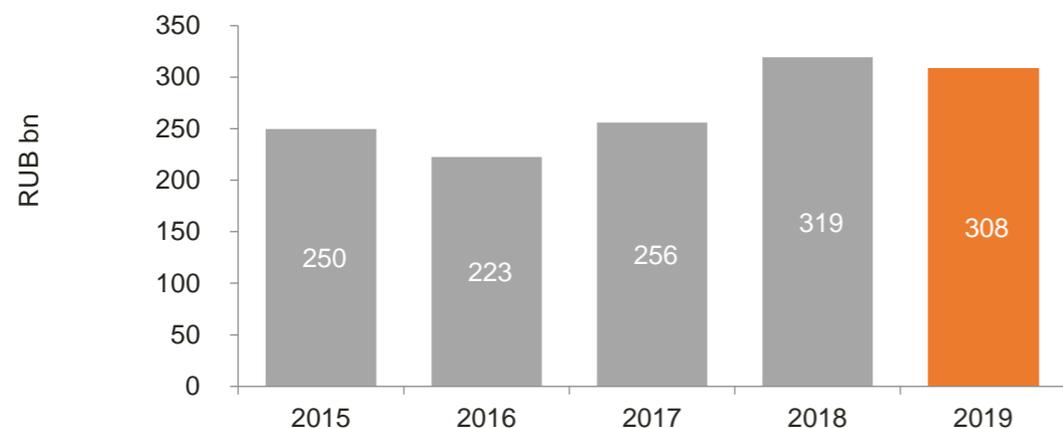


# Summary Financial Results

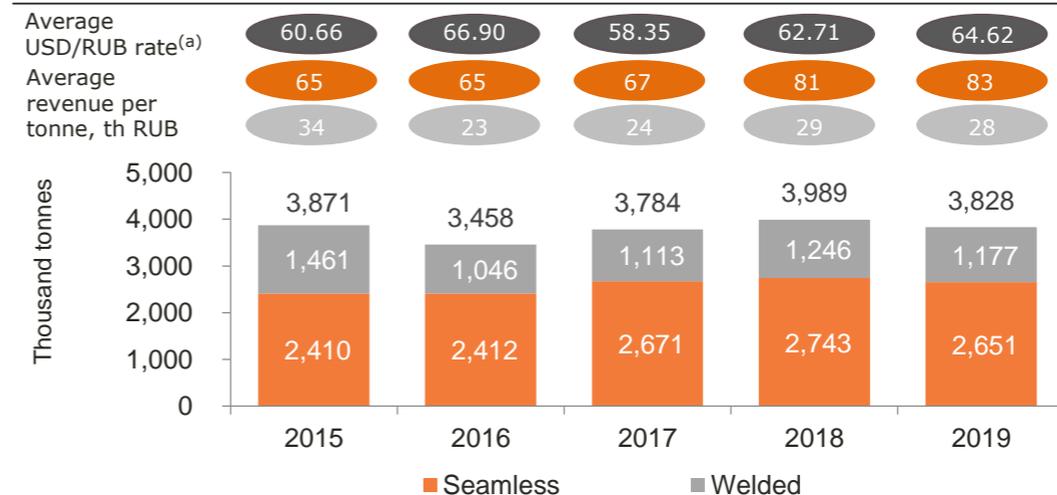
# FY Consolidated Results Snapshot (RUB)



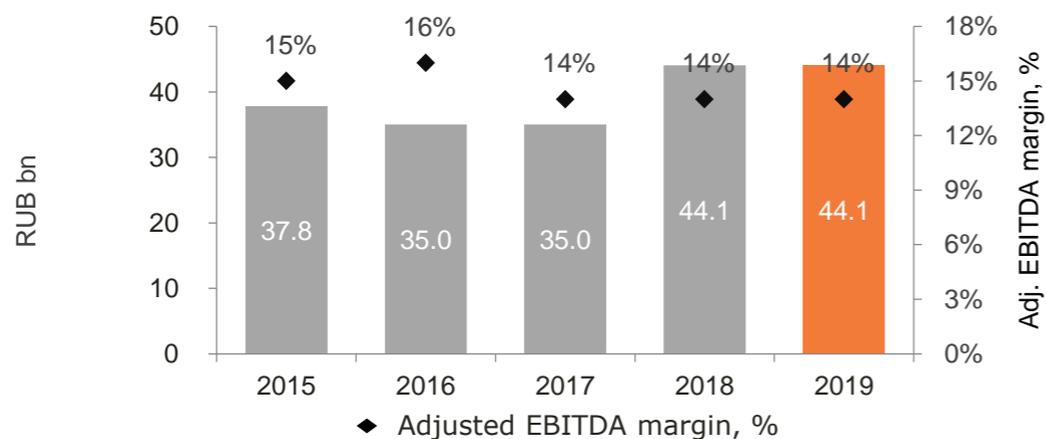
## Revenue



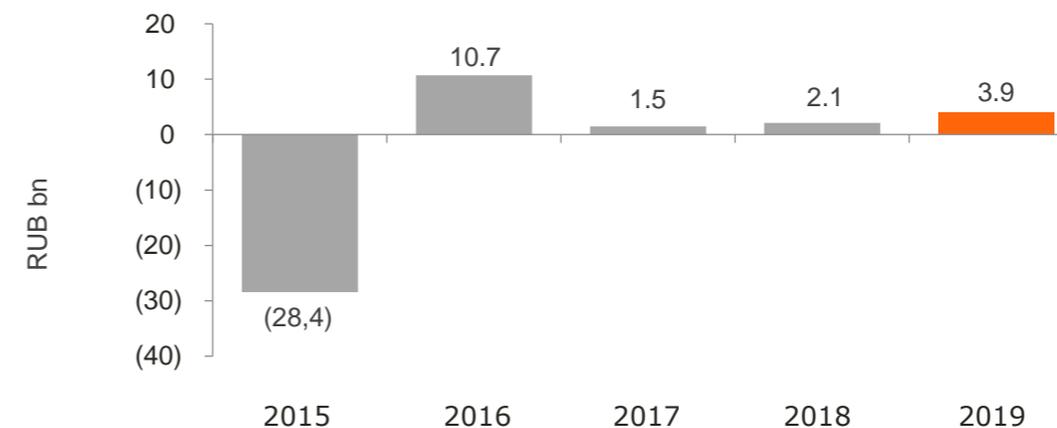
## Volumes and realised prices



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



## Net profit



Source: TMK data including IPSCO results

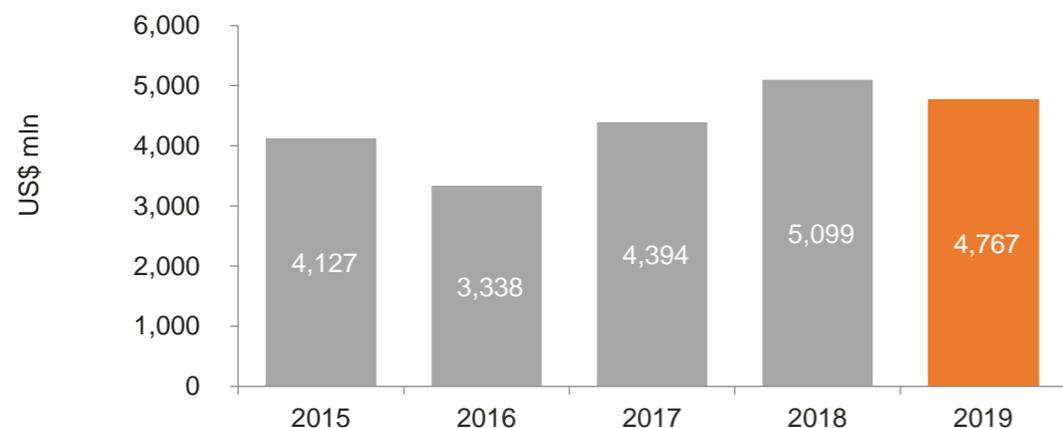
Note: (a) Average nominal USD/RUB exchange rate as published by the Central Bank of Russia.

(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

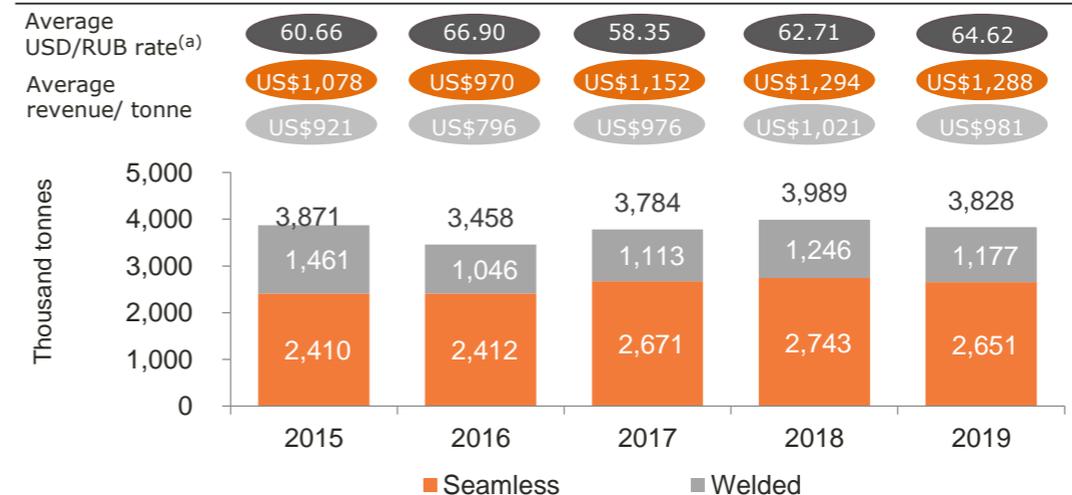
# FY Consolidated Results Snapshot (USD)



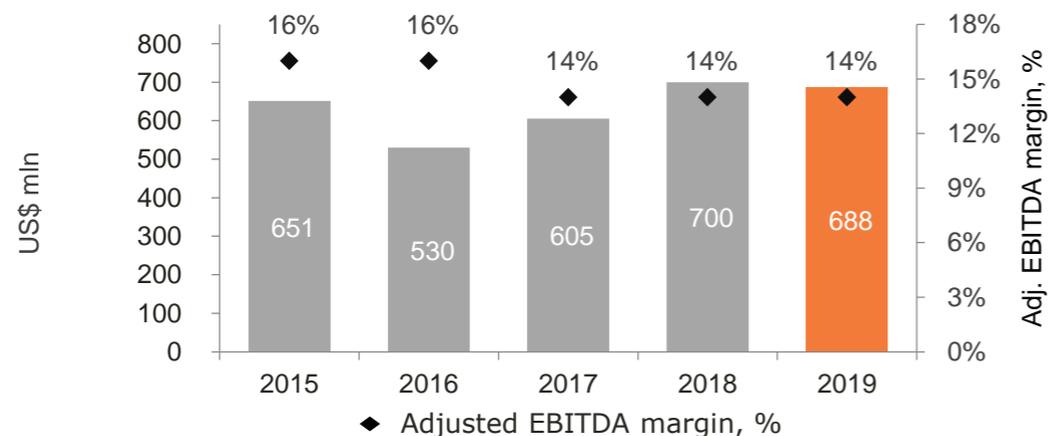
## Revenue



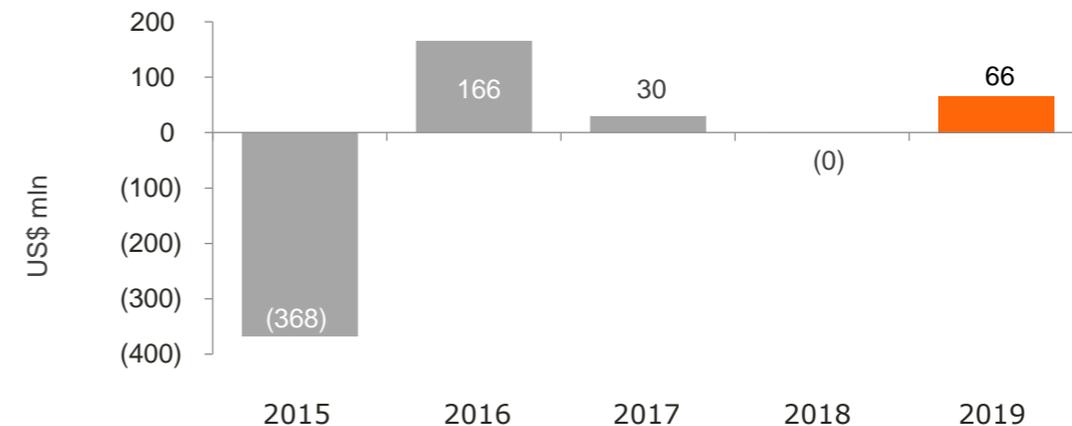
## Volumes and realised prices



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



## Net profit



Source: TMK data including IPSCO results

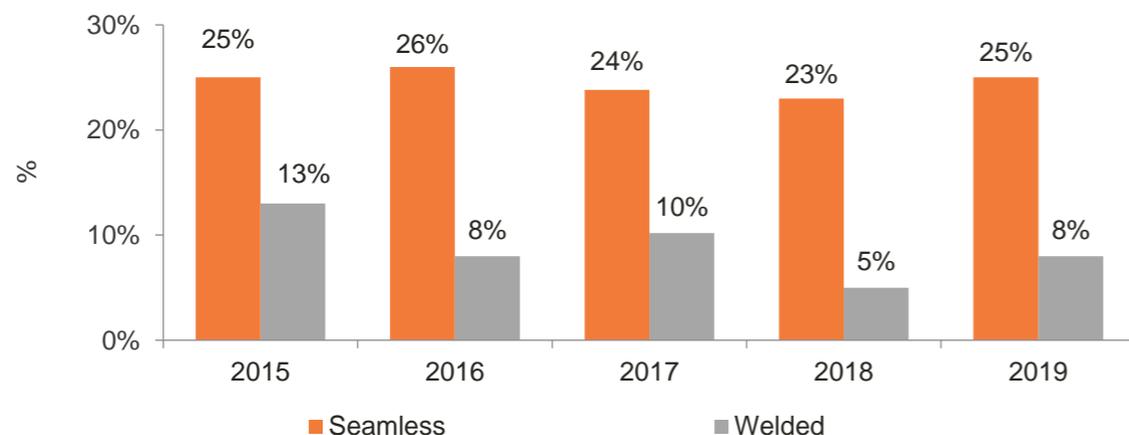
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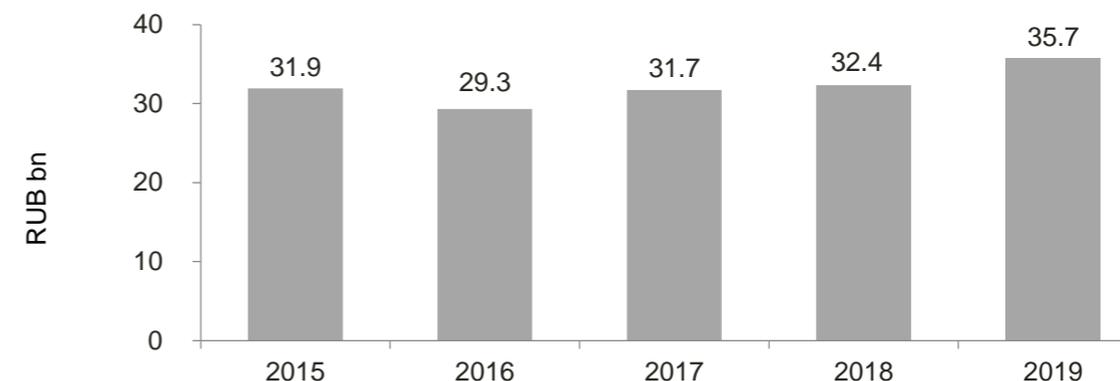
# Gross Margin, SG&A and Cash Conversion (RUB)



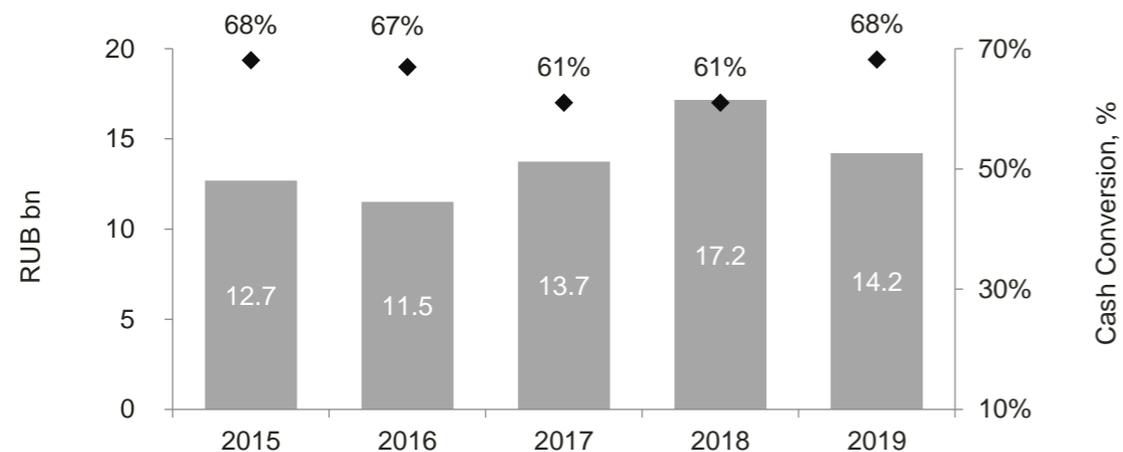
## Gross margin



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



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



## Key considerations

- Seamless segment accounting for 89% of consolidated gross profit and demonstrates consistently superior margins
- High level of vertical integration provides better control over costs and allows to maintain resilience in margins
- Significantly optimized lean cost structure due to stringent efficiency measures

Source: TMK data including IPSCO results

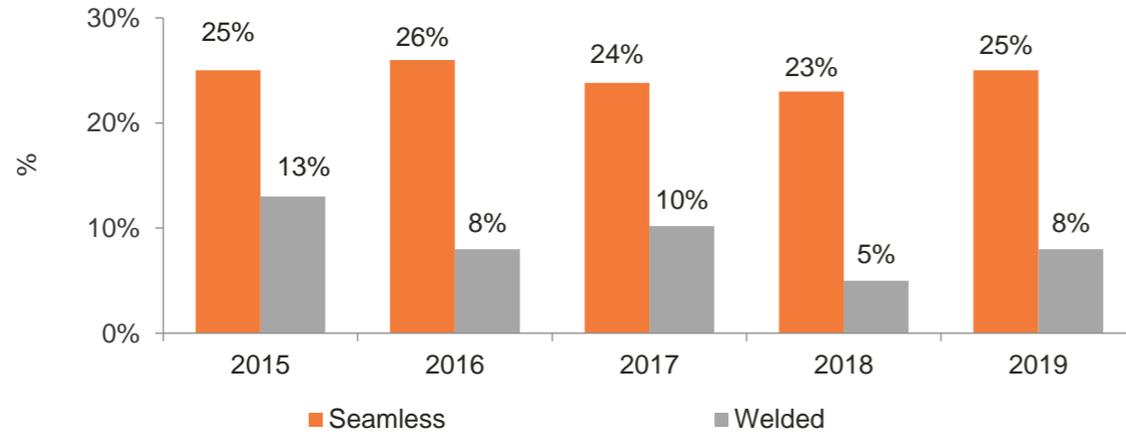
Note: (a) Based on IFRS financial statements. Calculated as Gross Profit less Operating profit

(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

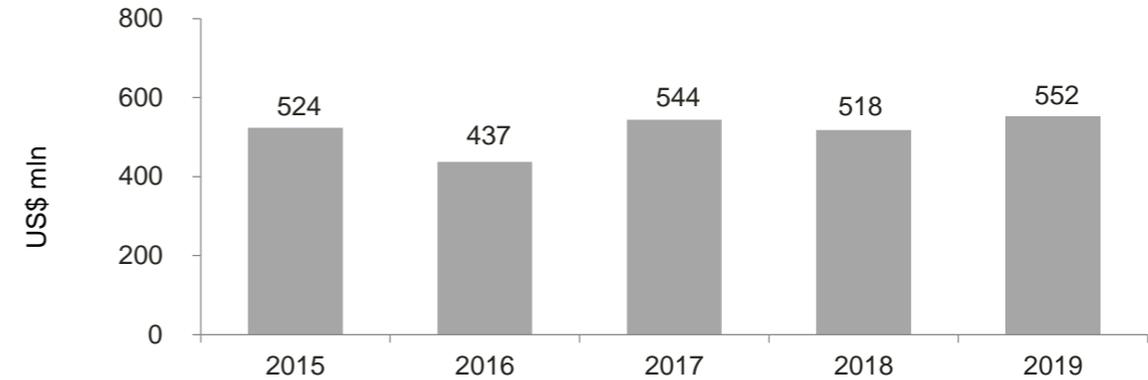
# Gross Margin, SG&A and Cash Conversion (USD)



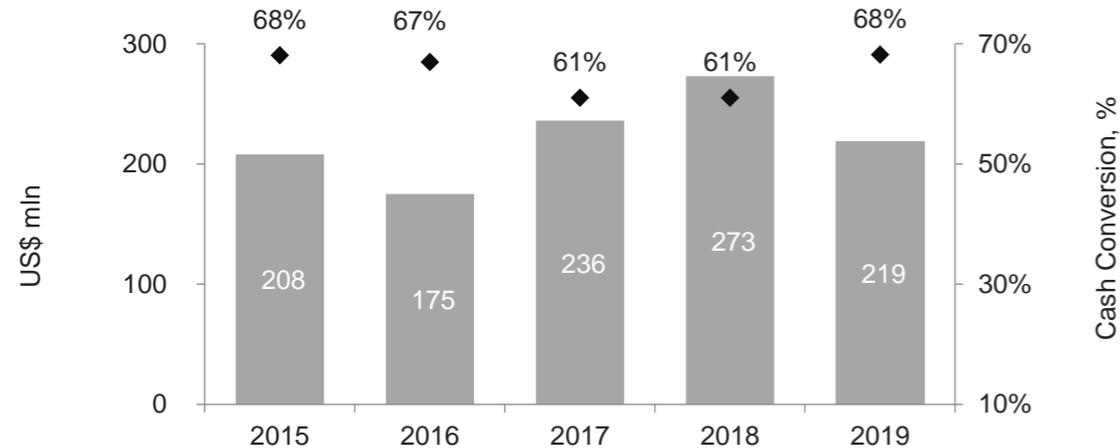
## Gross margin



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



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



## Key considerations

- Seamless segment accounting for 89% of consolidated gross profit and demonstrates consistently superior margins
- High level of vertical integration provides better control over costs and allows to maintain resilience in margins
- Significantly optimized lean cost structure due to stringent efficiency measures

Source: TMK data including IPSCO results

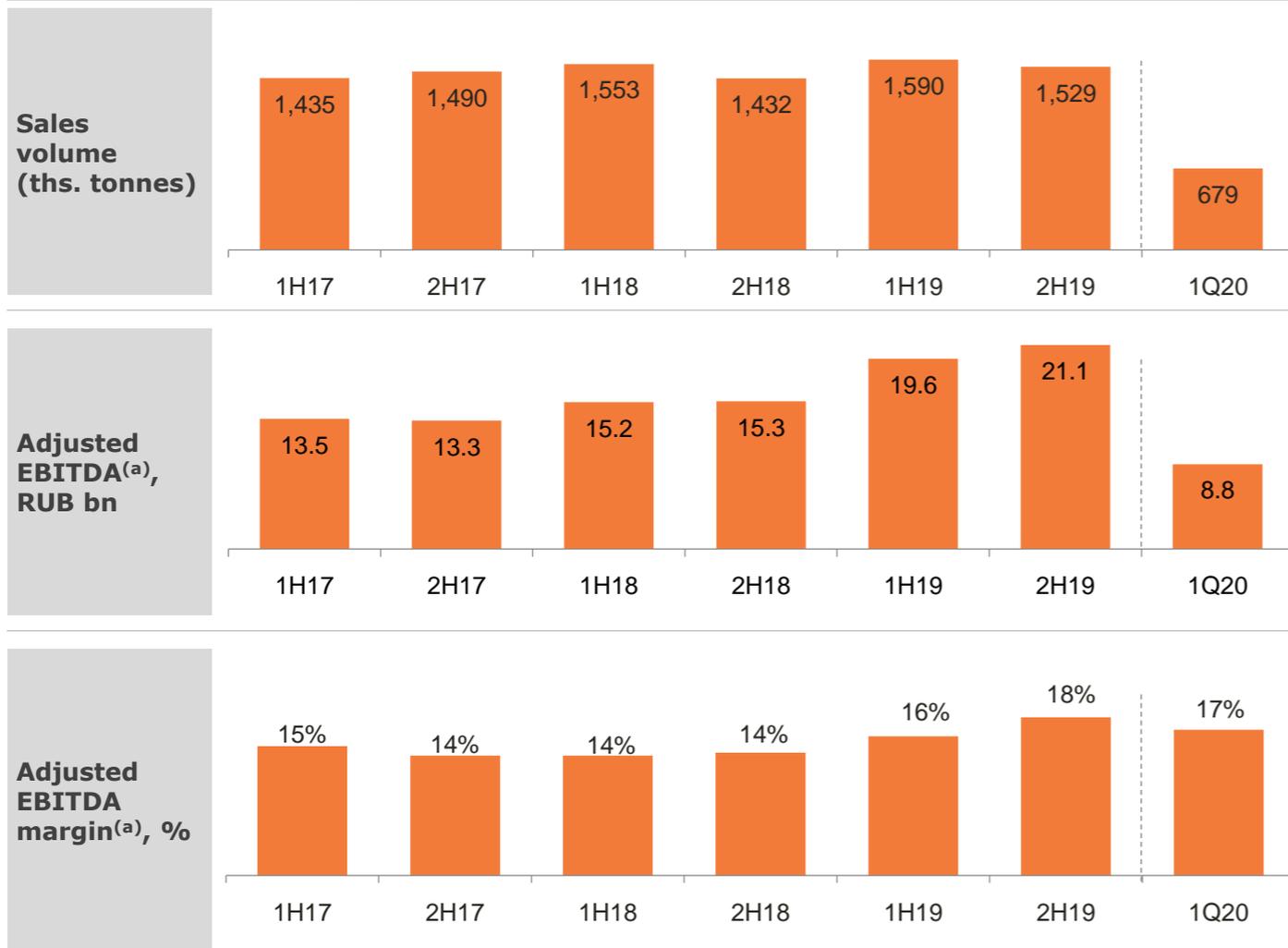
Note: (a) Based on IFRS financial statements. Calculated as Gross Profit less Operating profit

(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

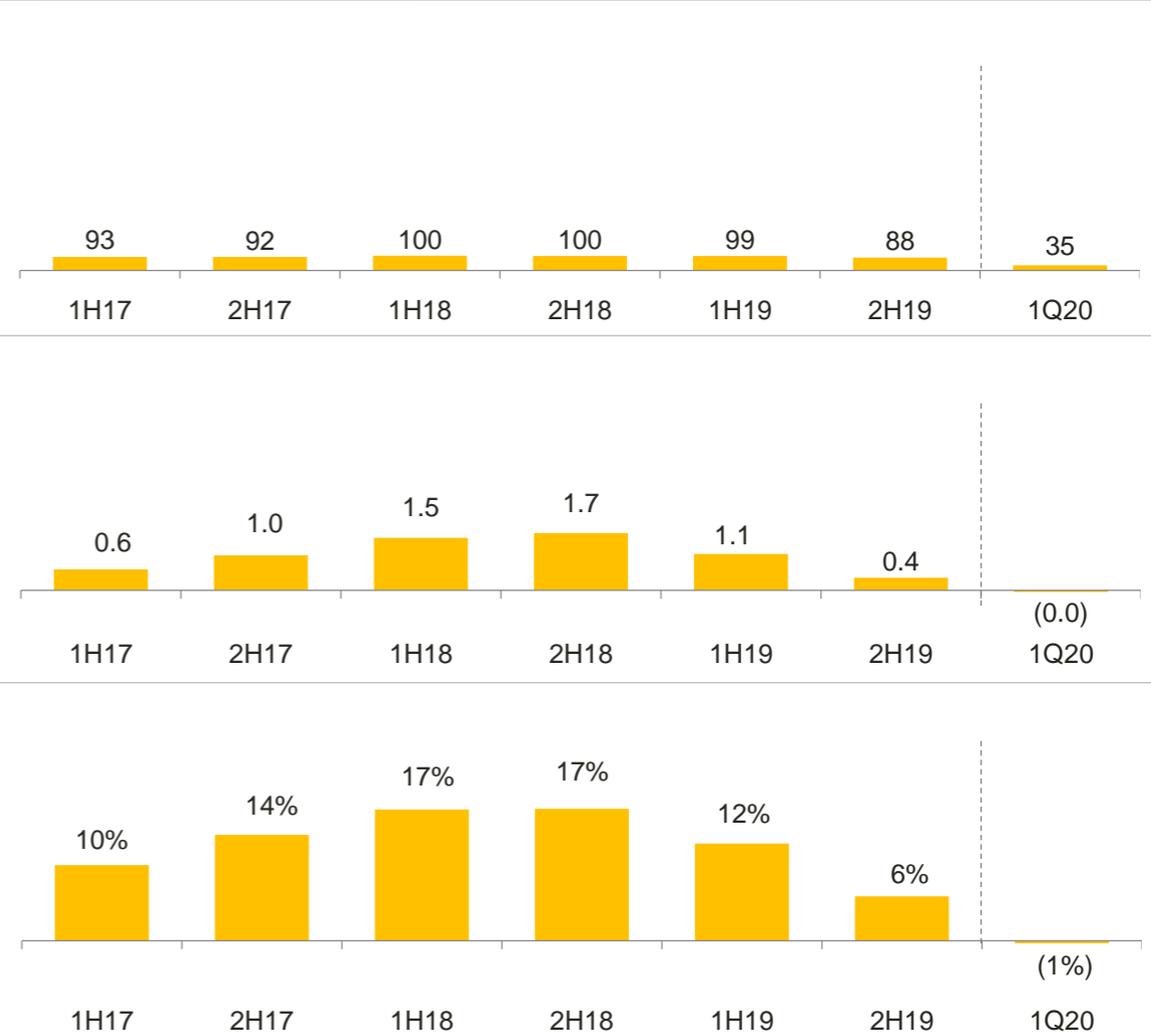
# Semi-annual Segmental Performance Dynamics excluding IPSCO (in RUB)



## Russian division



## European division



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

# Historical Segmental Quarterly Performance Dynamics including IPSCO (in USD)

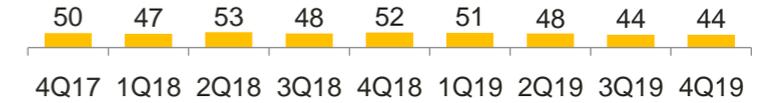
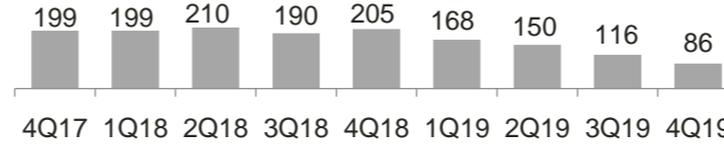
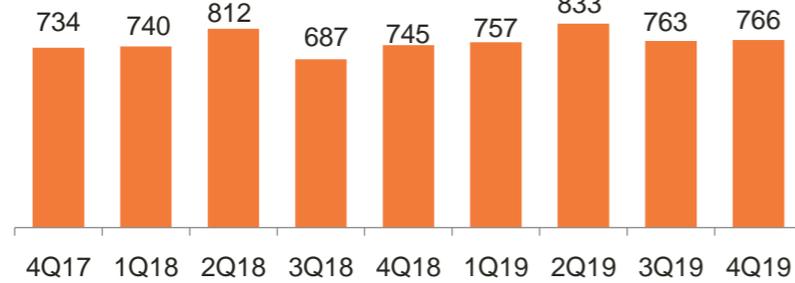


## Russian division

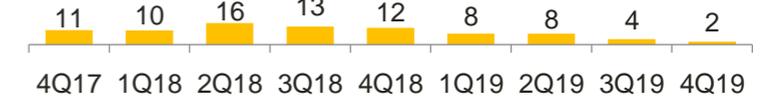
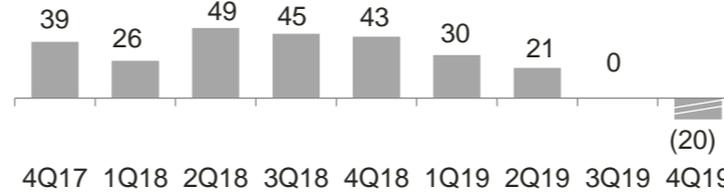
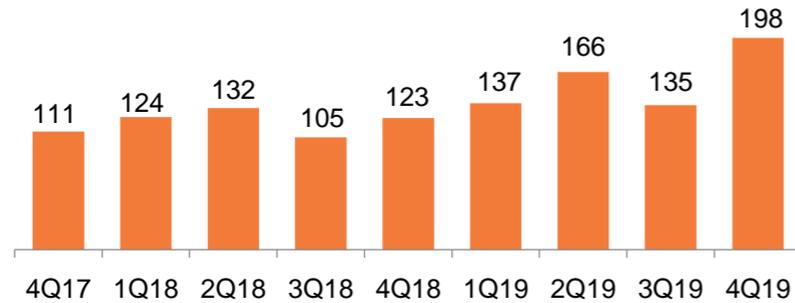
## American division (discontinued in 1Q 20)

## European division

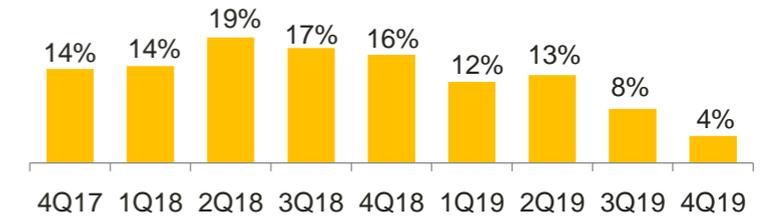
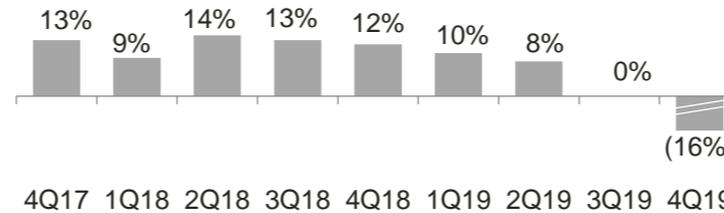
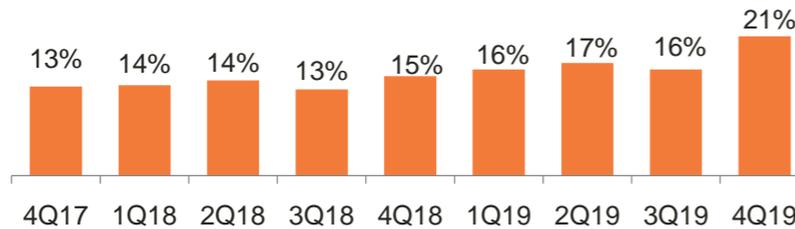
Sales volume (ths. tonnes)



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



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

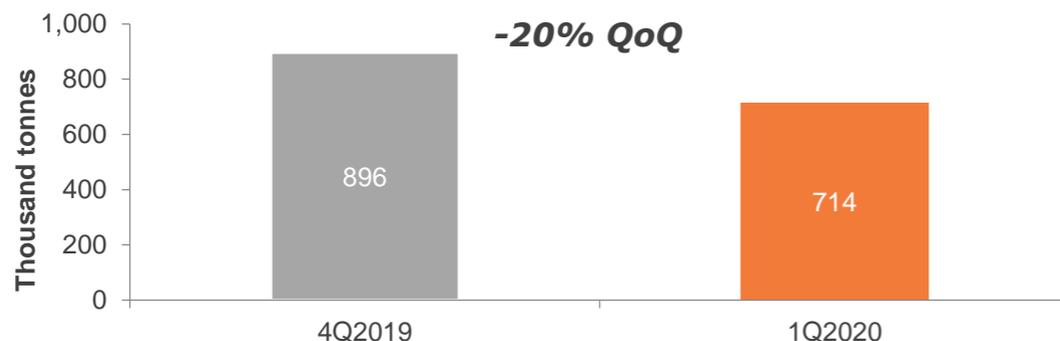


Source: TMK data  
 Note: (a) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances 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

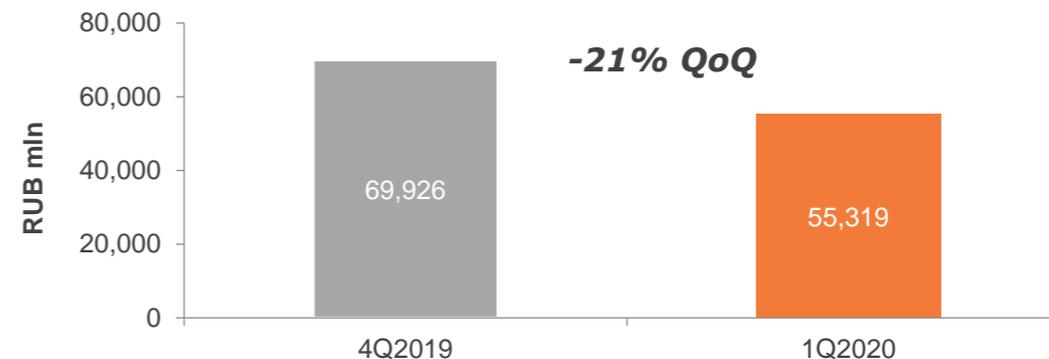
# 1Q 2020 vs. 4Q 2019 Summary Financial Highlights



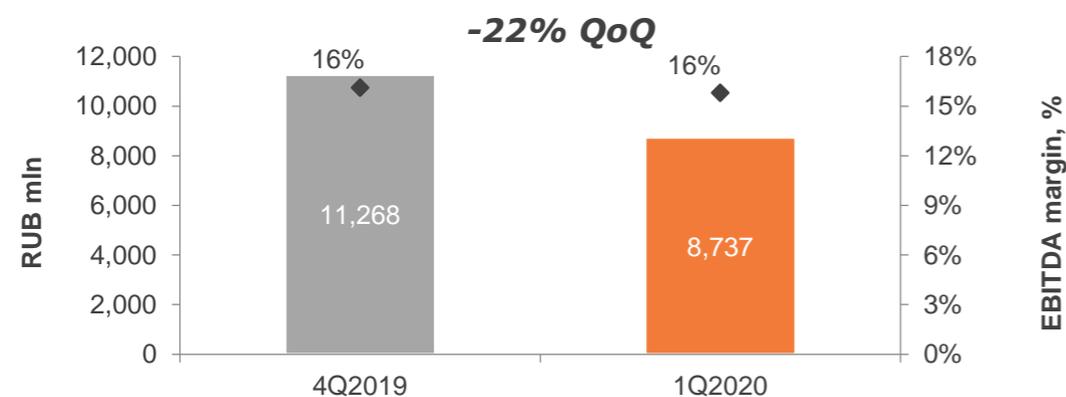
**Sales** declined QoQ, due to the disposal of the American division following the sale of IPSCO Tubulars Inc. and lower sales at the Russian and European divisions



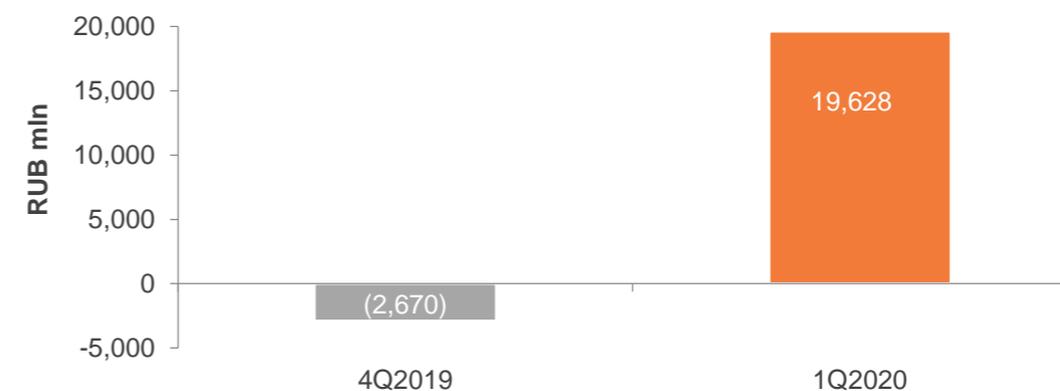
**Revenue** declined QoQ, due to the disposal of the American division and a weaker performance at the Russian and European divisions



**Adjusted EBITDA** decreased QoQ, due to a weaker performance at the Russian and European divisions



**Net profit** increased QoQ, mainly due to the gain on disposal of subsidiaries



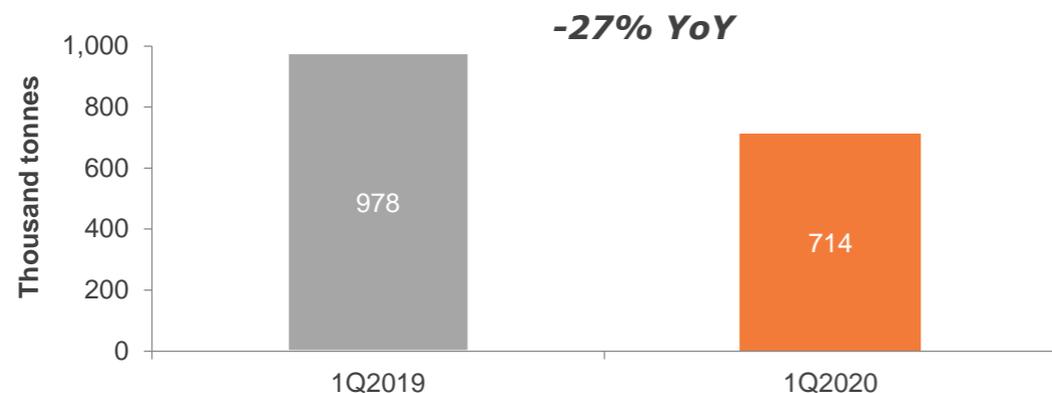
Source: TMK data

Note: Due to the fact that the Company did not issue the financial statements in Rubles for 9 months of 2019, the financial indicators in Rubles for 4Q 2019 are calculated as the difference between the reporting indicators in Rubles for 12 months of 2019 and reporting indicators in US dollars for 9 months of 2019, which were calculated at corresponding FX rates.

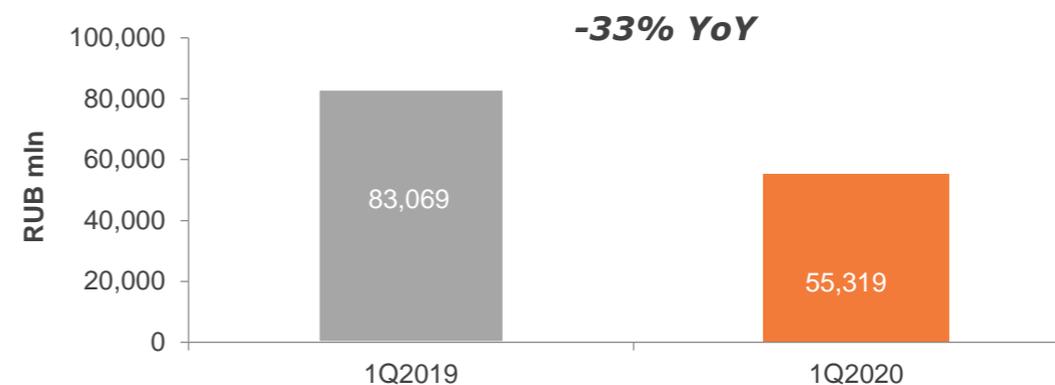
# 1Q 2020 vs. 1Q 2019 Summary Financial Highlights



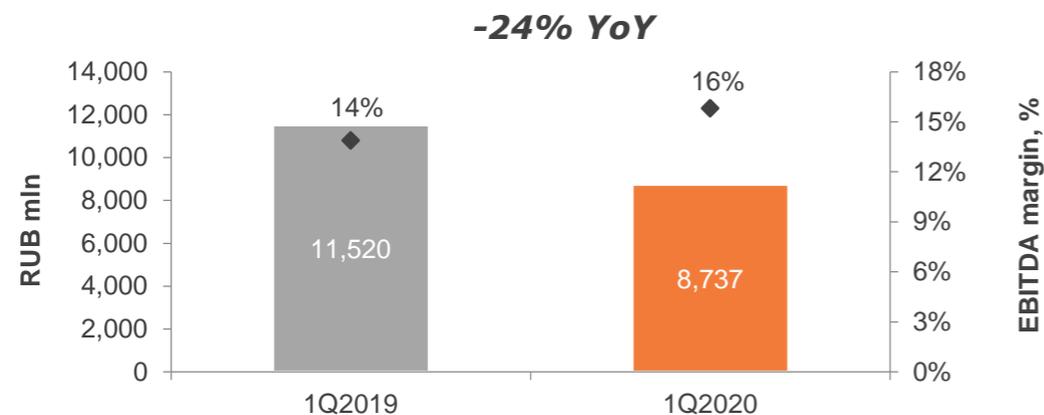
**Sales** declined YoY, due to the disposal of the American division and lower sales at the Russian and European divisions



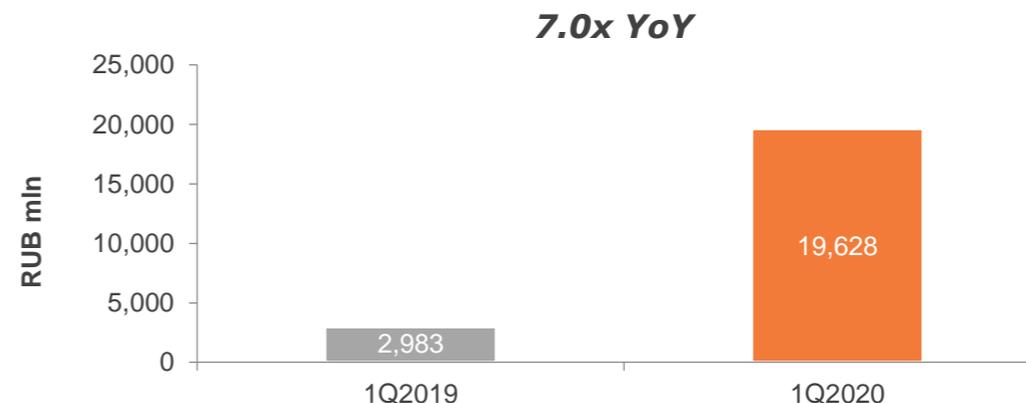
**Revenue** declined YoY, due to the disposal of the American division and a weaker performance at the Russian and European divisions



**Adjusted EBITDA** decreased YoY, mainly due to the disposal of the American division and lower EBITDA at the European division



**Net profit** increased YoY, mainly due to the gain on disposal of subsidiaries



Source: TMK data

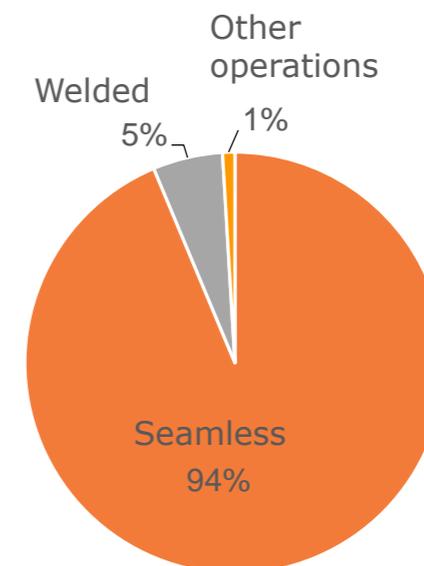
Note: Due to the fact that the Company did not issue the financial statements in Rubles for 9 months of 2019, the financial indicators in Rubles for 4Q 2019 are calculated as the difference between the reporting indicators in Rubles for 12 months of 2019 and reporting indicators in US dollars for 9 months of 2019, which were calculated at corresponding FX rates.

# Seamless – Core to Profitability



	RUR mln (unless stated otherwise)	1Q2020	QoQ, %	YoY, %
<b>SEAMLESS</b>	Sales - Pipes, kt	<b>526</b>	-18%	-23%
	<b>Revenue</b>	<b>42,287</b>	-18%	-29%
	<b>Gross profit</b>	<b>12,042</b>	-16%	-15%
	Margin, %	28%		
	Avg revenue/tonne (RUB)	80,420	0%	-7%
	Avg gross profit/tonne (RUB)	22,900	3%	11%
<b>WELDED</b>	Sales - Pipes, kt	<b>188</b>	-26%	-36%
	<b>Revenue</b>	<b>9,814</b>	-32%	-51%
	<b>Gross profit</b>	<b>690</b>	-42%	-51%
	Margin, %	7%		
	Avg revenue/tonne (RUB)	52,162	-8%	-24%
	Avg gross profit/tonne (RUB)	3,669	-21%	-23%

## 1Q 2020 gross profit breakdown



- Sales of seamless pipe generated 76% of total revenues in 1Q 2020
- Gross profit from seamless pipe sales represented 94% of 1Q 2020 total gross profit
- Gross profit margin from seamless pipe sales amounted to 28% in 1Q 2020

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



	<i>(RUB mln)<sup>(a)</sup></i>		<i>(US\$mIn)<sup>(a)</sup></i>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>308,378</b>	<b>319,399</b>	<b>4,767</b>	<b>5,099</b>	<b>4,394</b>
<b>Adjusted EBITDA<sup>(b)</sup></b>	<b>44,138</b>	<b>44,052</b>	<b>688</b>	<b>700</b>	<b>605</b>
<i>Adjusted EBITDA Margin<sup>(b)</sup>(%)</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>
Profit (Loss)	3,946	2,142	66	0	30
<i>Net Profit Margin (%)</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>	<i>0%</i>	<i>1%</i>
Pipe Sales ('000 tonnes)	3,828	3,989	3,828	3,989	3,784
Cash Cost per tonne <sup>(d)</sup>	0,061	0,061	941	981	862
Cash Flow from Operating Activities	38,008	32,876	598	510	312
Capital Expenditure <sup>(e)</sup>	14,183	17,175	219	273	236
Total Debt <sup>(f)</sup>	182,845	199,180	3,006	2,867	3,239
Net Debt <sup>(f)</sup>	151,718	169,233	2,503	2,437	2,688
Short-term Debt/Total Debt	45%	31%	45%	31%	18%
Net Debt/Adjusted EBITDA	3.44x	3.84x	3.64x	3.48x	4.4x

Source: TMK Consolidated Financial Statements for 2019, 2018, 2017, 2016, 2015, 2014 and 2013

(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



	(RUB mln)		(US\$mIn)		
	2019	2018	2019	2018	2017
<b>Revenue</b>	<b>308,378</b>	<b>319,399</b>	<b>4,767</b>	<b>5,099</b>	<b>4,394</b>
Cost of sales	246,736	261,915	(3,807)	(4,183)	(3,521)
<b>Gross Profit</b>	<b>61,642</b>	<b>57,484</b>	<b>959</b>	<b>916</b>	<b>872</b>
Selling and Distribution Expenses	(15,372)	(14,377)	(237)	(231)	(261)
General and Administrative Expenses	(17,849)	(15,767)	(276)	(250)	(231)
Advertising and Promotion Expenses	(616)	(456)	(10)	(7)	(7)
Research and Development Expenses	(386)	(451)	(6)	(7)	(11)
Other Operating Expenses, Net	(1,520)	(1,417)	(23)	(22)	(34)
Foreign Exchange Gain / (Loss)	2,098	(4,644)	32	(72)	28
Finance Costs, Net	(15,113)	(15,081)	(218)	(232)	(268)
Other	(6,857)	(0,287)	(124)	(50)	(10)
<b>Income / (Loss) before Tax</b>	<b>6,027</b>	<b>5,004</b>	<b>97</b>	<b>45</b>	<b>78</b>
Income Tax (Expense) / Benefit	(2,081)	(2,862)	(32)	(45)	(48)
<b>Net Income / (Loss)</b>	<b>3,949</b>	<b>2,142</b>	<b>66</b>	<b>(0)</b>	<b>30</b>

Source: TMK Consolidated Financial Statements for 2019, 2018, 2017, 2016, 2015, 2014 and 2013

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



	(RUB mln)		(US\$mIn)		
	2019	2018	2019	2018	2017
<b>ASSETS</b>					
Cash and Cash Equivalents	21,899	27,221	354	392	491
Accounts Receivable	65,910	61,005	1,065	878	871
Inventories	56,281	74,074	909	1,066	1,121
Prepayments	9,845	7,028	159	101	139
Other Financial Assets	826	28	28	13	0
<b>Total Current Assets</b>	<b>155,700</b>	<b>170,217</b>	<b>2,515</b>	<b>2,450</b>	<b>2,624</b>
<b>Total Non-current Assets</b>	<b>138,692</b>	<b>177,446</b>	<b>2,240</b>	<b>2,554</b>	<b>2,913</b>
<b>Total Assets</b>	<b>352,182</b>	<b>347,663</b>	<b>5,689</b>	<b>5,004</b>	<b>5,537</b>
<b>LIABILITIES AND EQUITY</b>					
Accounts Payable	51,782	51,655	836	744	950
ST Debt	83,244	62,949	1,345	906	610
Other Liabilities	19,610	24,018	317	345	178
<b>Total Current Liabilities</b>	<b>154,636</b>	<b>138,622</b>	<b>2,498</b>	<b>1,995</b>	<b>1,738</b>
LT Debt	100,625	137,423	1,625	1,978	2,725
Deferred Tax Liability	4,227	6,365	68	92	82
Other Liabilities	27,713	8,456	448	121	59
<b>Total Non-current Liabilities</b>	<b>132,565</b>	<b>152,244</b>	<b>2,141</b>	<b>2,191</b>	<b>2,866</b>
<b>Equity</b>	<b>53,595</b>	<b>56,797</b>	<b>866</b>	<b>818</b>	<b>933</b>
Including Non-Controlling Interest	3,048	3,249	49	47	50
<b>Total Liabilities and Equity</b>	<b>352,182</b>	<b>347,663</b>	<b>5,689</b>	<b>5,004</b>	<b>5,537</b>
Net Debt	151,718	169,233	2,503	2,437	2,688

Source: TMK Consolidated Financial Statements for 2019, 2018, 2017, 2016, 2015, 2014 and 2013

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



	(RUB mln)		(US\$mIn)		
	2019	2018	2019	2018	2017
Profit / (Loss) before Income Tax	6,027	5,004	97	45	78
<i>Adjustments for:</i>					
Depreciation and Amortisation	13,043	16,473	205	268	263
Net Finance Cost	13,282	16,765	218	232	268
Others	10,487	13,384	145	137	(260)
Working Capital Changes	(0,203)	(8,538)	1	(145)	(253)
<b>Cash Generated from Operations</b>	<b>42,636</b>	<b>43,088</b>	<b>666</b>	<b>537</b>	<b>349</b>
Income Tax Paid	(4,425)	(1,674)	(69)	(27)	(38)
<b>Net Cash from Operating Activities</b>	<b>38,008</b>	<b>32,876</b>	<b>598</b>	<b>510</b>	<b>312</b>
Capex	(14,183)	(17,175)	(219)	(273)	(236)
Acquisitions	-	-	-	-	1
Others	(9,308)	1,077	(145)	18	-
<b>Net Cash Used in Investing Activities</b>	<b>(23,491)</b>	<b>(16,098)</b>	<b>(364)</b>	<b>(255)</b>	<b>(235)</b>
Net Change in Borrowings	(3,312)	(2,040)	(50)	(46)	318
Others	(14,776)	(18,666)	(217)	(305)	(197)
<b>Net Cash Used in Financing Activities</b>	<b>(18,088)</b>	<b>(20,706)</b>	<b>(267)</b>	<b>(351)</b>	<b>121</b>
Net Foreign Exchange Difference	(1,526)	2,857	(1)	(4)	17
Cash and Cash Equivalents at Jan 1	27,221	28,292	392	491	277
<b>Cash and Cash Equivalents at YE</b>	<b>22,124</b>	<b>27,221</b>	<b>357</b>	<b>392</b>	<b>491</b>

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

Source: TMK Consolidated Financial Statements for 2019, 2018, 2017, 2016, 2015, 2014 and 2013



## Appendix – TMK Products

# Wide Range of Products and Services



## Seamless



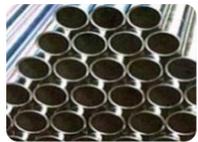
**OCTG**

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



**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 Threads



**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.





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

## Solutions for complex projects

- Kirinskoye Gas and Condensate Field
- Prirazlomnoye Oil Field
- Yamal LNG, Sakhalin II
- Yuzhno-Kirinskoye Gas and Condensate Field
- Kovyktinskoye gas and condensate field
- Chayandinskoye oil, gas and condensate field
- Offshore projects of the Caspian Sea

### 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.

**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**

# High-tech OCTG Pipe Decisions for Oil & Gas Industry



**TMK UP™  
CWB**



**TMK UP™  
Magna**



**TMK UP™  
GF**



**TMK UP™  
FMC**



**TMK UP™  
FMT**



**TMK UP™  
PF**

**CAL IV**



**TMK UP™  
PF ET**

**CAL IV**



**TMK UP™  
CENTUM**

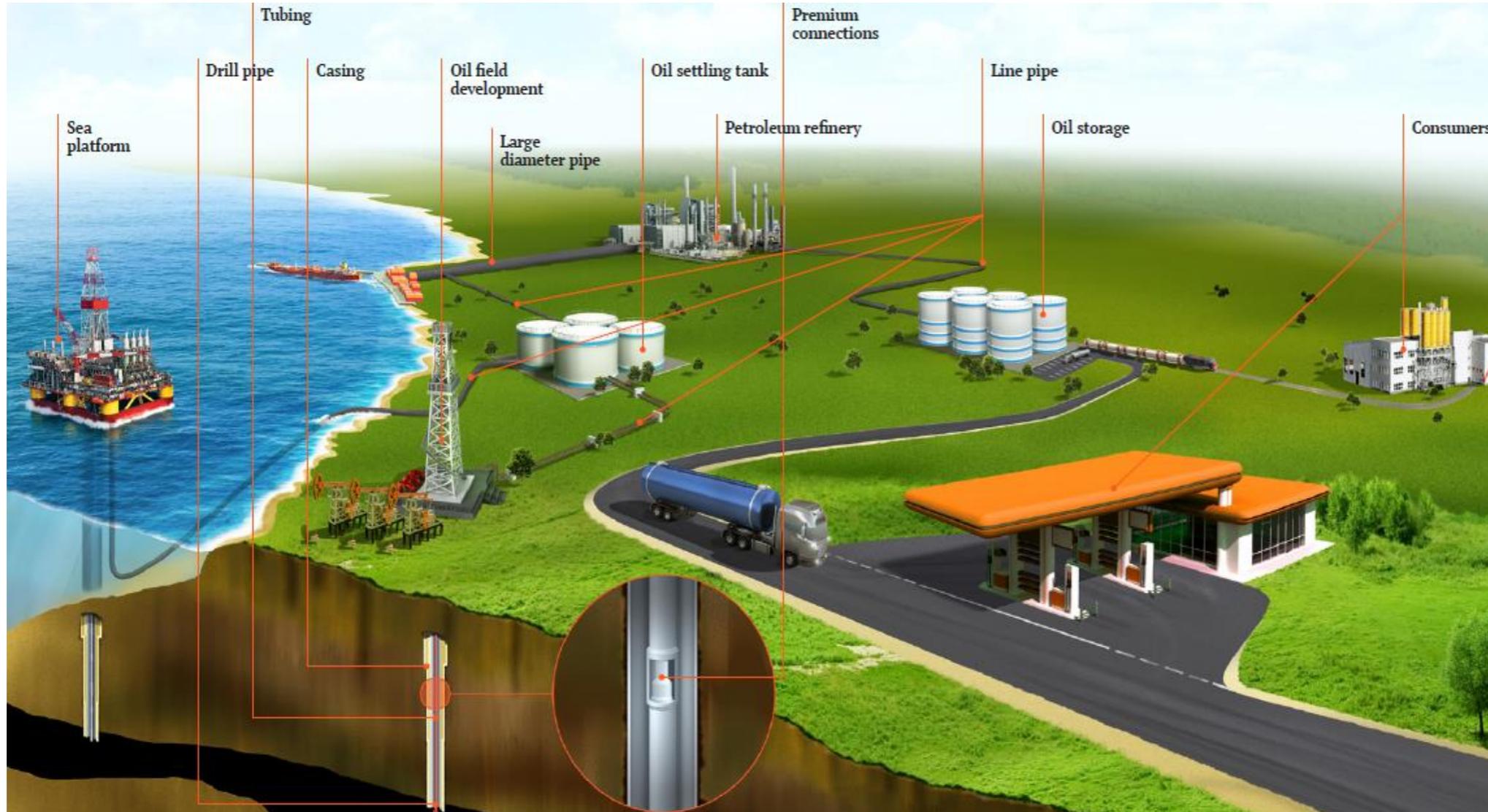
**CAL IV**



- Onshore and offshore fields
- High H<sub>2</sub>S and CO<sub>2</sub> concentrations
- High temperatures
- Arctic environment

- Horizontal and directional drilling
- Drilling with casing
- Steam-Assisted Gravity Drainage (SAGD)
- GREENWELL lubricant-free connections 

# 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
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products

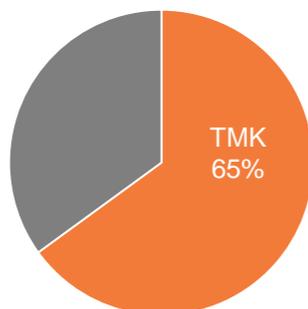


# Appendix

# TMK's Undisputed Market Leading Position in Russia

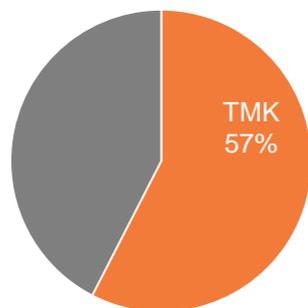


## Seamless



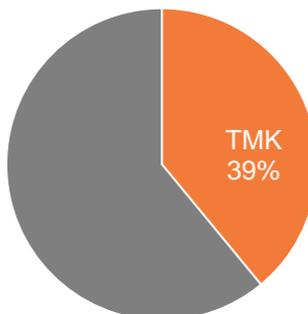
### OCTG

Threaded pipes for O&G industry including drill pipe, casing and tubing



### Line Pipe

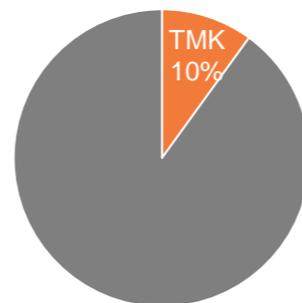
Short-distance transport of crude oil, oil products and natural gas



### Industrial

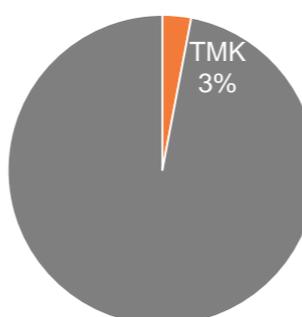
Automotive, machine building, and power generation sectors

## Welded



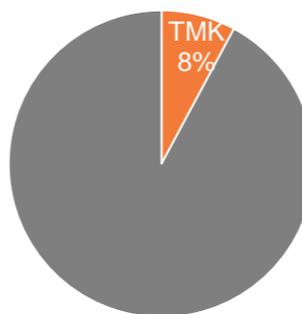
### Line Pipe

Short-distance transportation of O&G and oil products



### Large Diameter

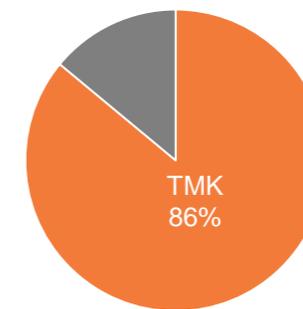
Construction of trunk pipeline systems for long distance transportation of O&G and petroleum products



### Industrial

Wide array of applications and industries, including utilities and agriculture

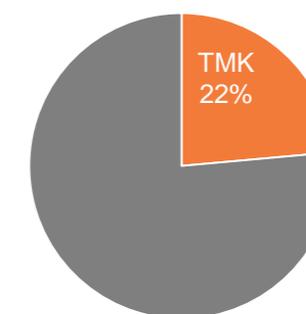
## Premium



### 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

## #1 in the Russian Tube and Pipe Market



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**Premium connections  
TMK UP**

[www.tmkup.ru](http://www.tmkup.ru)