



Financial Presentation

2Q 2016 IFRS Results

August 19, 2016

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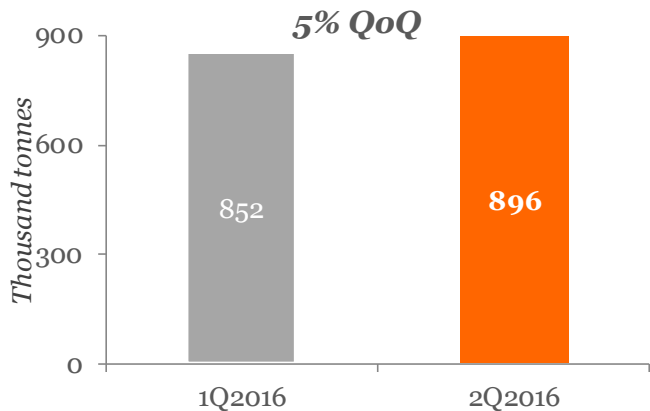
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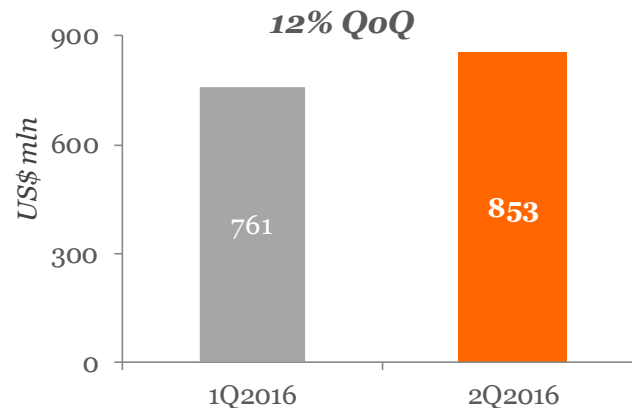
2Q and 1H 2016 Summary Financial Results and Market Update

2Q 2016 Summary Financial Highlights

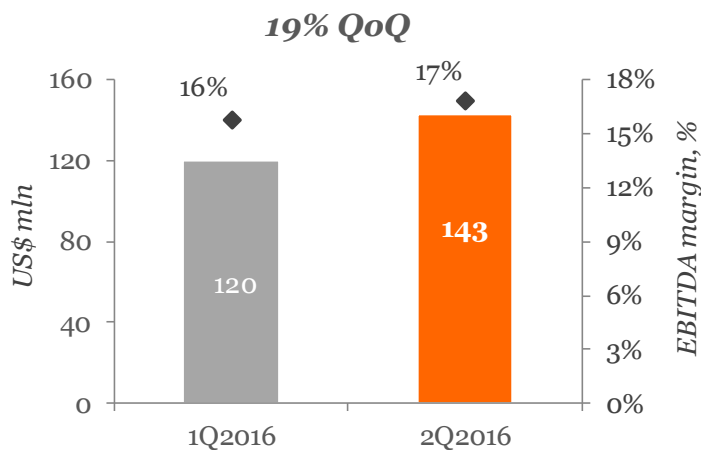
Sales increased QoQ, due to higher industrial pipe volumes and improvement in sales at the American division



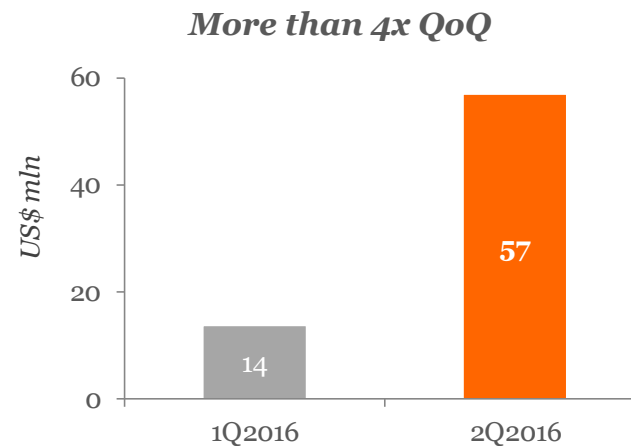
Revenue increased QoQ, mostly as a result of a positive effect of currency translation



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



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

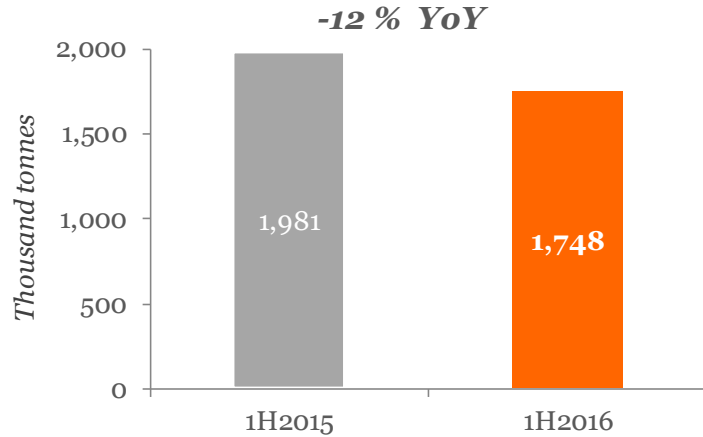


Source: TMK data

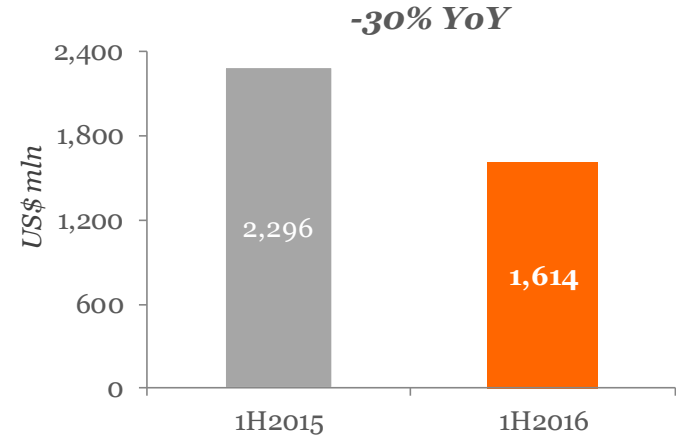
1H 2016 Summary Financial Highlights



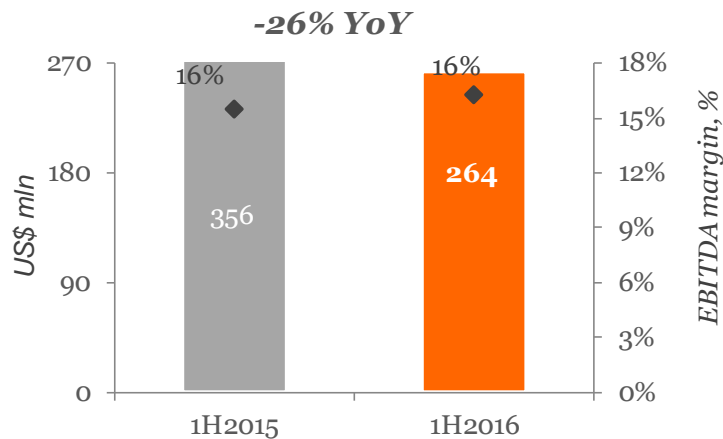
Sales decreased YoY, due to reduced volumes at the American division, caused by unfavorable market conditions, and lower LD pipe sales



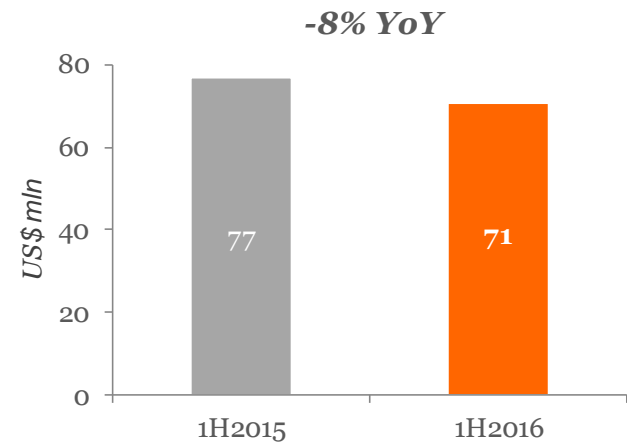
Revenue fell YoY, mostly due to weaker sales at the American division as a result of weaker drilling activity in the US and low E&P spending, and a negative effect of currency translation



Adjusted EBITDA decreased YoY, mostly due to the impact of weak results at the American division



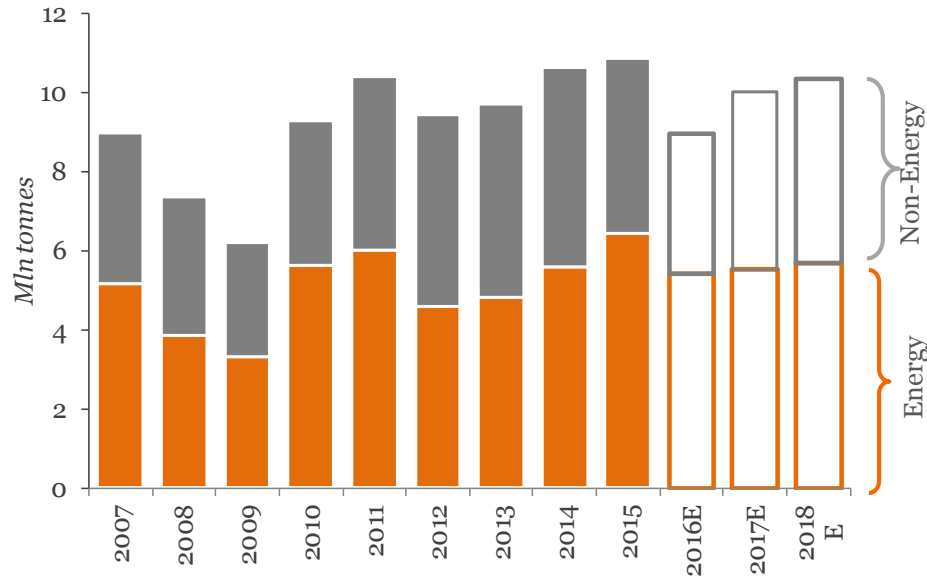
Net profit decreased YoY, due to generally weaker results



Source: TMK data

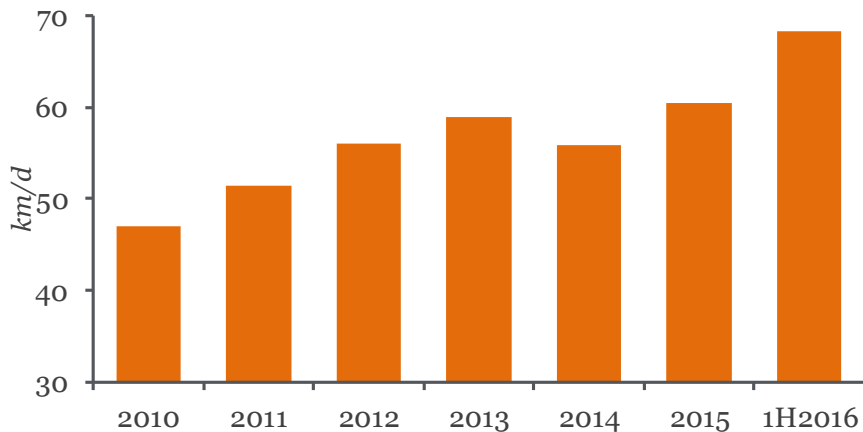
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity is strong and growing



Source: CDUTEK

Key considerations

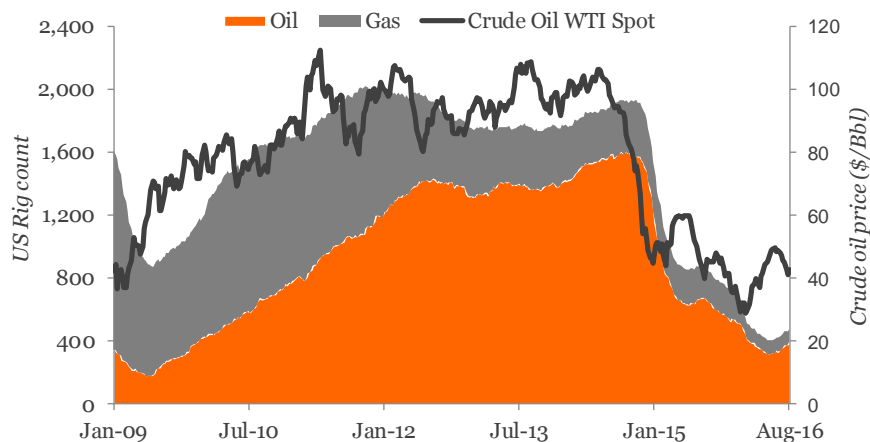
2Q 2016

- In 2Q 2016, the Russian pipe market contracted by 8% compared to 1Q 2016, mostly due to weaker LDP demand as a result of lower purchasing activity by Gazprom.
- The OCTG market decreased by 16% QoQ, predominantly due to the structural changes in OCTG demand, weighted more towards smaller diameter pipes specifically supplied for horizontal drilling in existing vertical wells.

1H 2016

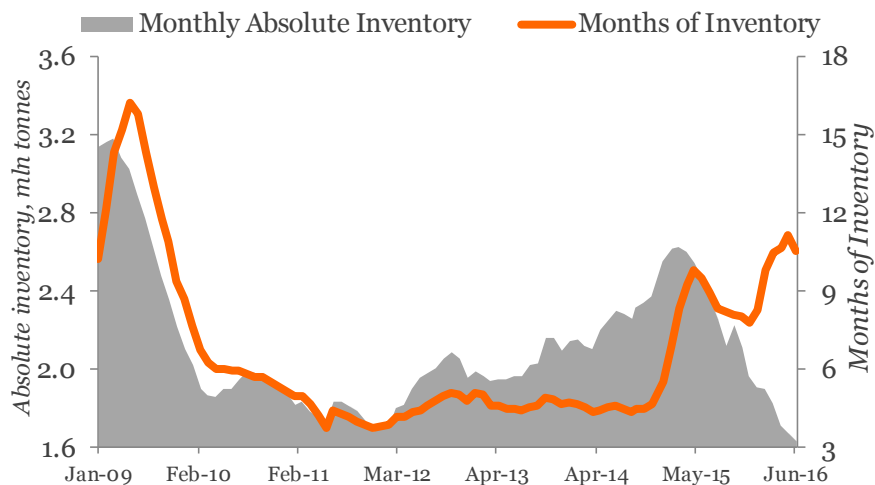
- The Russian pipe market decreased by 6% YoY, due to weaker LDP demand in 1H 2016 compared to the record high volumes in 1H 2015.
- OCTG consumption increased by 6% compared to the same period of 2015, supported by the growth of drilling activity in Russia by 17% year-on-year.

Rising oil prices followed by improvement in rig count



Source: Baker Hughes, Bloomberg

Lower consumption pushed inventory levels to 10.8 months in June 2016



Source: Preston Pipe & Tube Report

Key considerations

2Q 2016

- In the US, the average number of rigs in 2Q 2016 fell by 24% compared to 1Q 2016 (Baker Hughes).
- OCTG shipments decreased by 43% quarter-on-quarter (Preston Pipe Report). At the same time, OCTG inventories increased to an average 10.8 months compared to 9.5 in 1Q 2016.

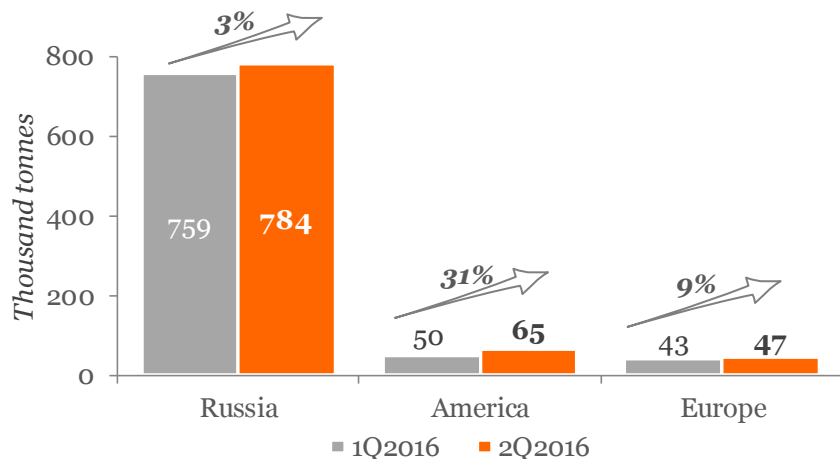
1H 2016

- In the US, the average number of rigs in 1H 2016 fell by 57% compared to 1H 2015 (Baker Hughes), following a continued decline in oil prices.
- OCTG shipments decreased by 66% year-on-year (Preston Pipe Report). OCTG inventories increased to an average 10.2 months compared to 8.2 in 1H 2015.

2Q 2016 Results

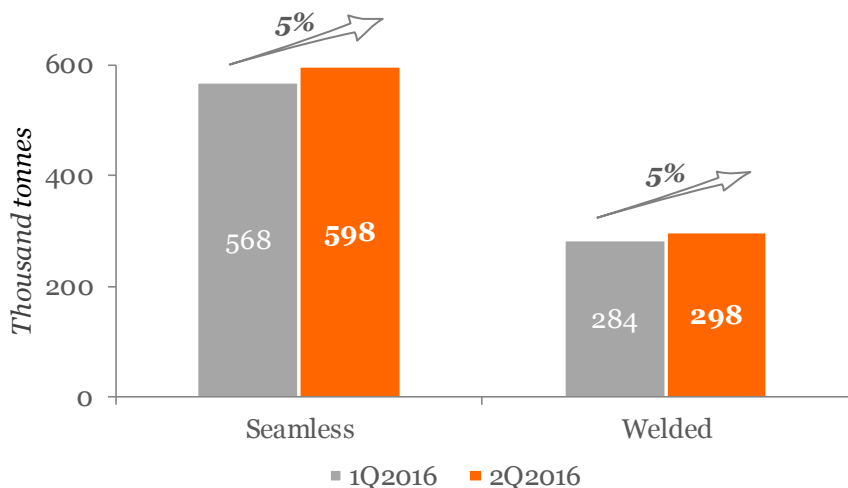
2Q 2016 Sales by Division and Product Group

Sales by division



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

Sales by product group

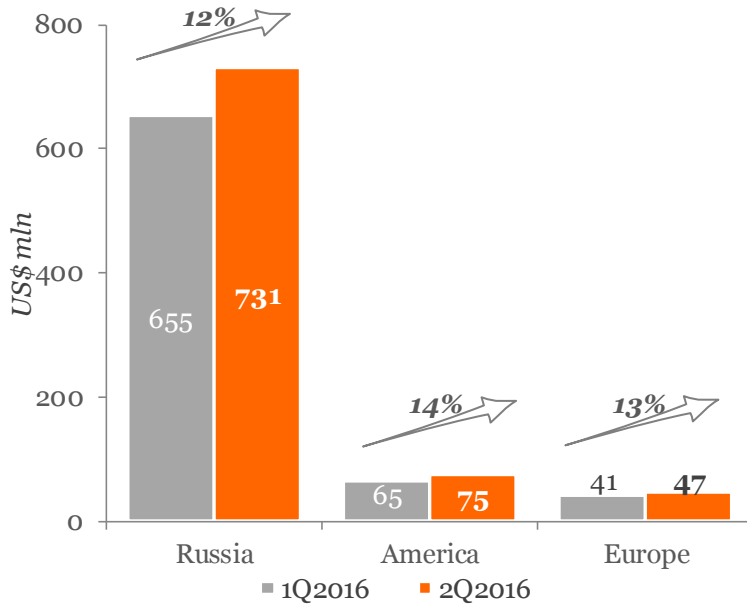


- Seamless pipe sales increased QoQ, due to higher seamless industrial pipe volumes at the Russian division and improved OCTG sales at the American division.
- Welded pipe sales increased QoQ, mostly due to higher welded industrial pipe volumes at the Russian division.
- Total OCTG sales demonstrated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

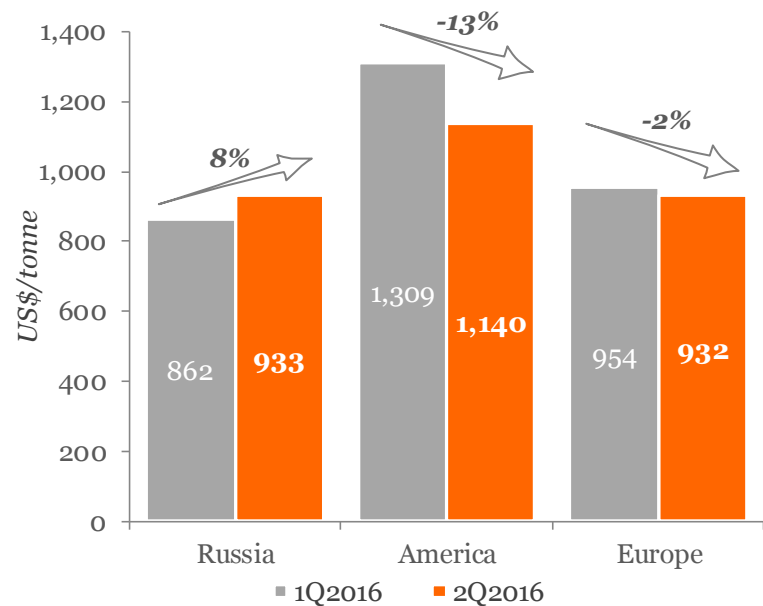
2Q 2016 Revenue by Division



Revenue



Revenue per tonne*



* Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billet sales

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

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

Source: Consolidated IFRS financial statements, TMK data

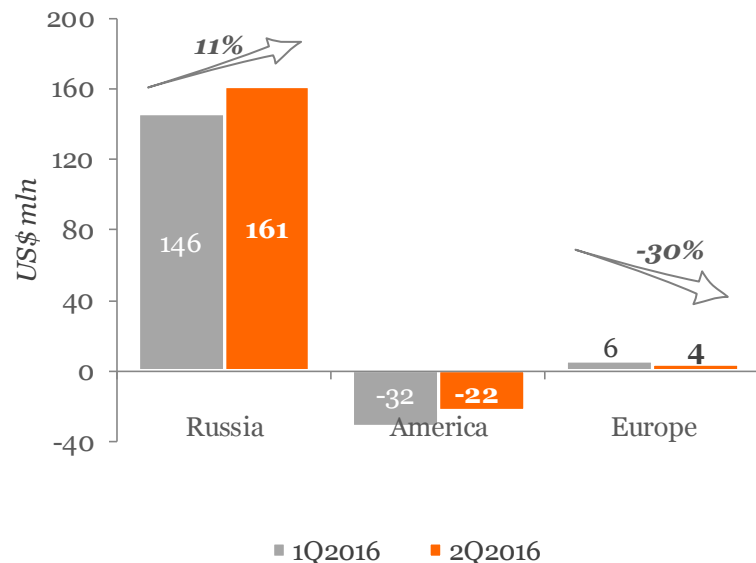
Note:

Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

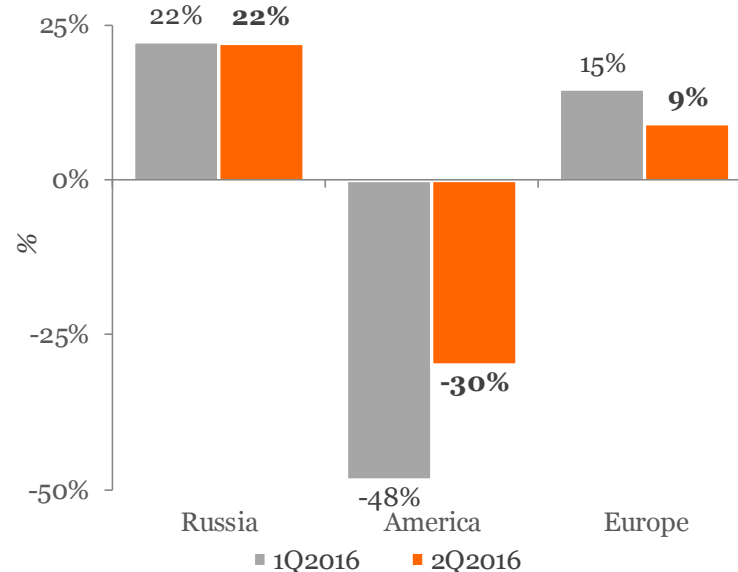
2Q 2016 Adjusted EBITDA by Division



Adjusted EBITDA



Adjusted EBITDA margin



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

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

Source: TMK Consolidated IFRS financial statements, TMK data

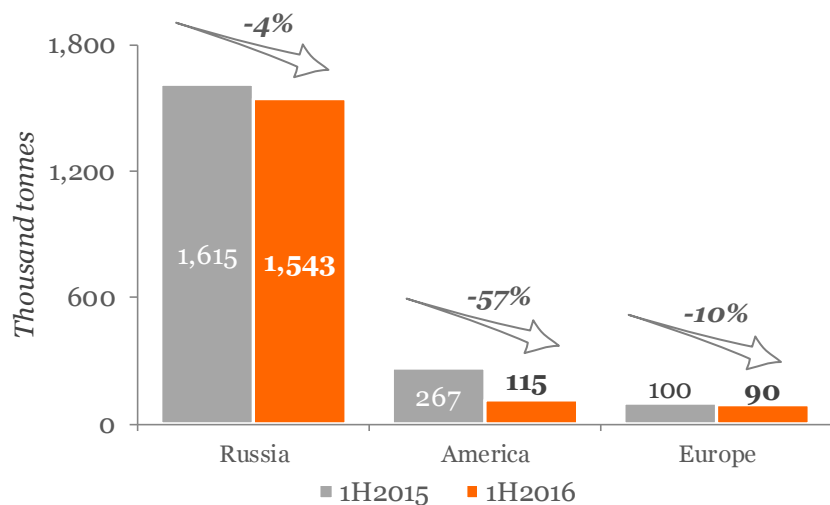
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1H 2016 Results

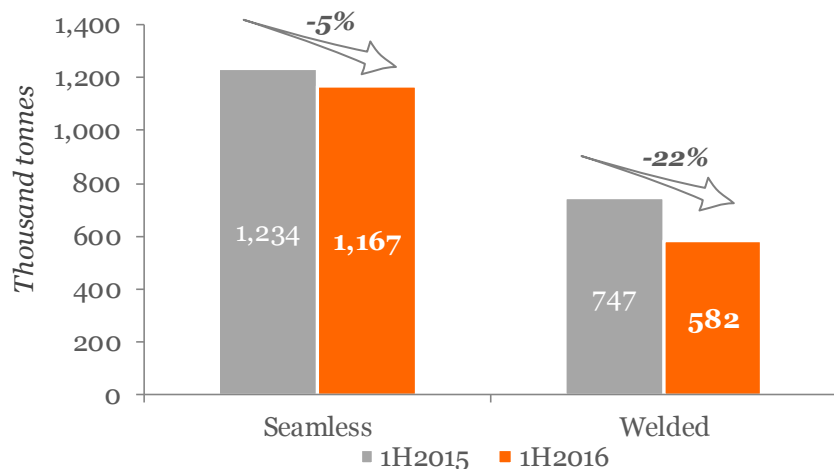
1H Sales by Division and Product Group

Sales by division



- Russian division sales decreased YoY, mainly affected by lower LD pipe volumes in 1H 2016 compared to record high demand in 1H 2015 and a sharp decline in welded OCTG sales at the American division.
- A dramatic YoY decrease in rig count combined with E&P spending cuts in the North American market led to a significant decline in pipe sales at the American division.
- European division sales decreased due to lower seamless pipe volumes, resulting from a decline in pipe consumption in the European market.

Sales by product group

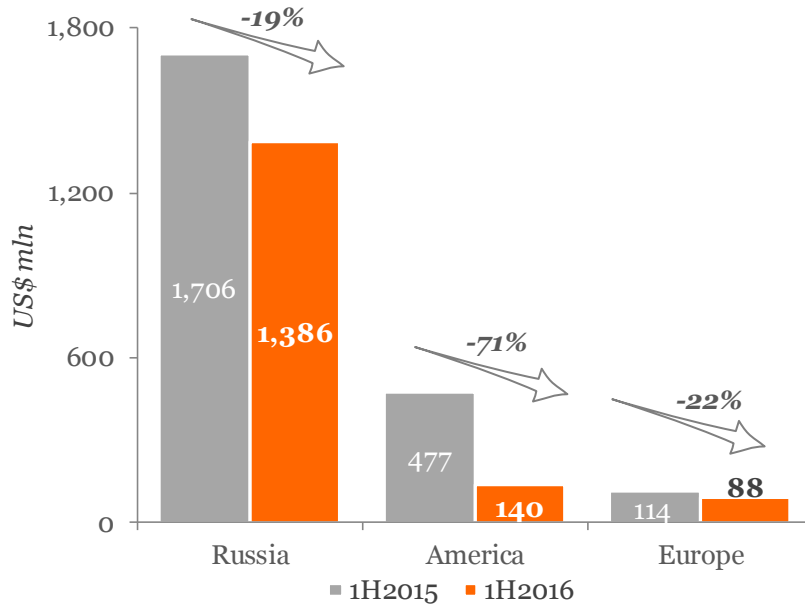


- Seamless pipe volumes decreased YoY, as a result of lower seamless pipe sales at the American division.
- Welded pipe sales decreased YoY, largely due to a sharp decline in welded OCTG volumes at the American division combined with lower LD pipe sales at the Russian division.
- Total OCTG sales decreased by 14% YoY, largely as a result of a sharp decline at the American division.

1H 2016 Revenue by Division



Revenue



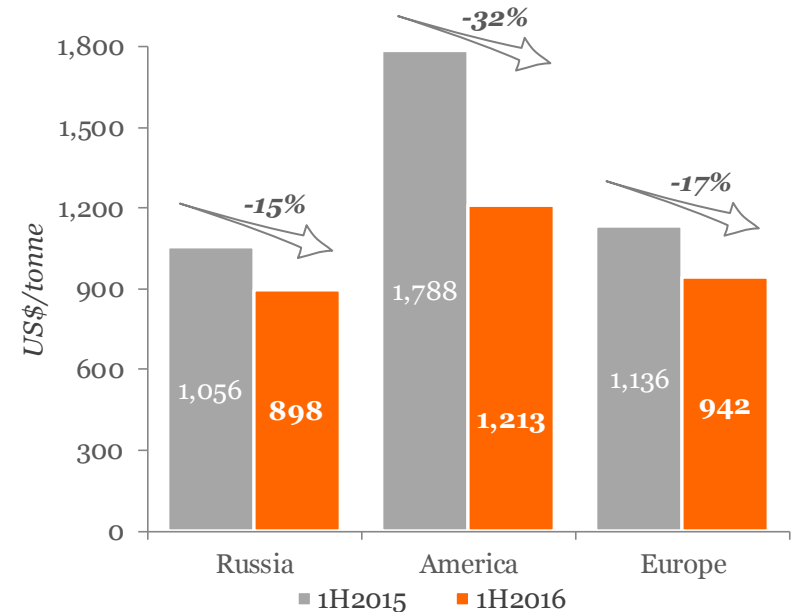
- Revenue for the Russian division decreased YoY, due to a negative effect of currency translation. Excluding this effect, revenue would have remained stable year-on-year.
- Revenue for the American division dropped YoY, as a result of a significant decrease in pipe volumes coupled with weaker pricing.
- Revenue for the European division fell YoY, due to lower seamless pipe sales and weaker pricing.

Source: Consolidated IFRS financial statements, TMK data

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Revenue per tonne*

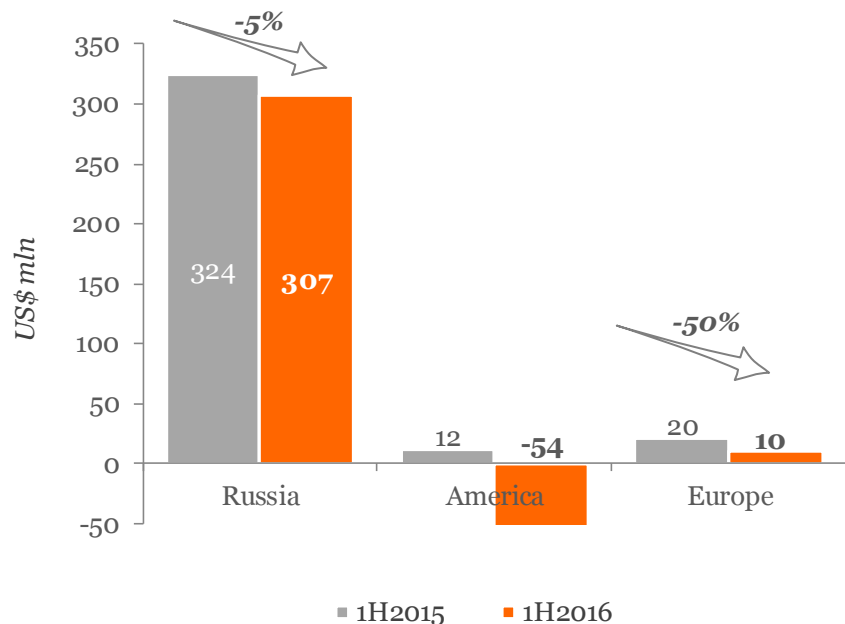


* Revenue/tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European Division is calculated as total revenue divided by pipe+billet sales

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

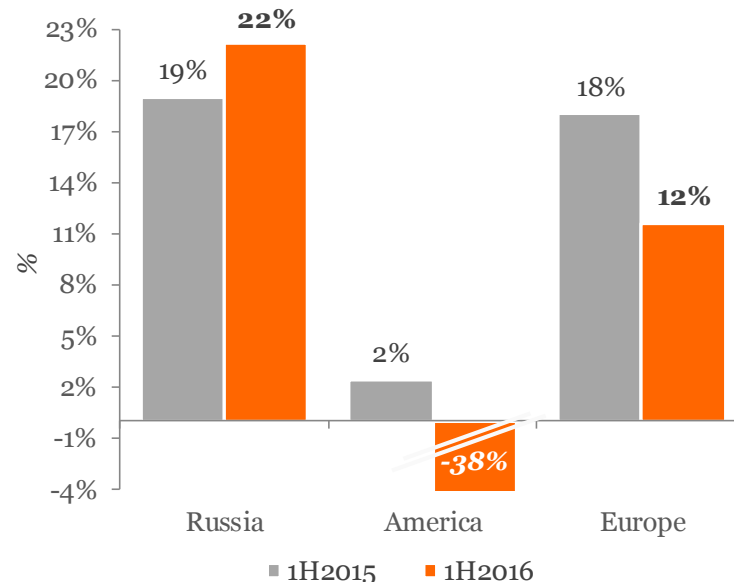
1H 2016 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA decreased YoY, due to a negative effect of currency translation.
- American division Adjusted EBITDA dropped YoY, following a sharp decline in sales and pricing.
- European division Adjusted EBITDA fell YoY, partially due to a decline in seamless pipe prices.

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased YoY, as a result of higher prices, cost saving measures and better seamless pipe product mix.
- European division Adjusted EBITDA margin decreased YoY, mostly due to lower pricing of seamless pipe.

Source: TMK Consolidated IFRS financial statements, TMK data

Note:

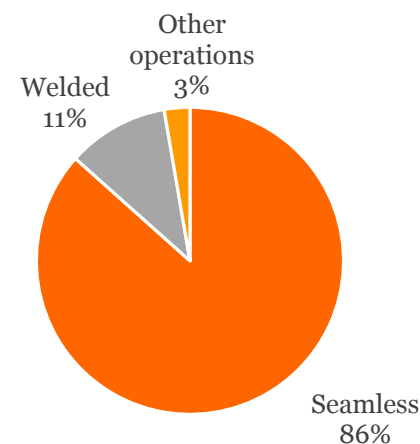
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Seamless – Core to Profitability



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

1H 2016 gross profit breakdown



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

Source: Consolidated IFRS financial statements, TMK data

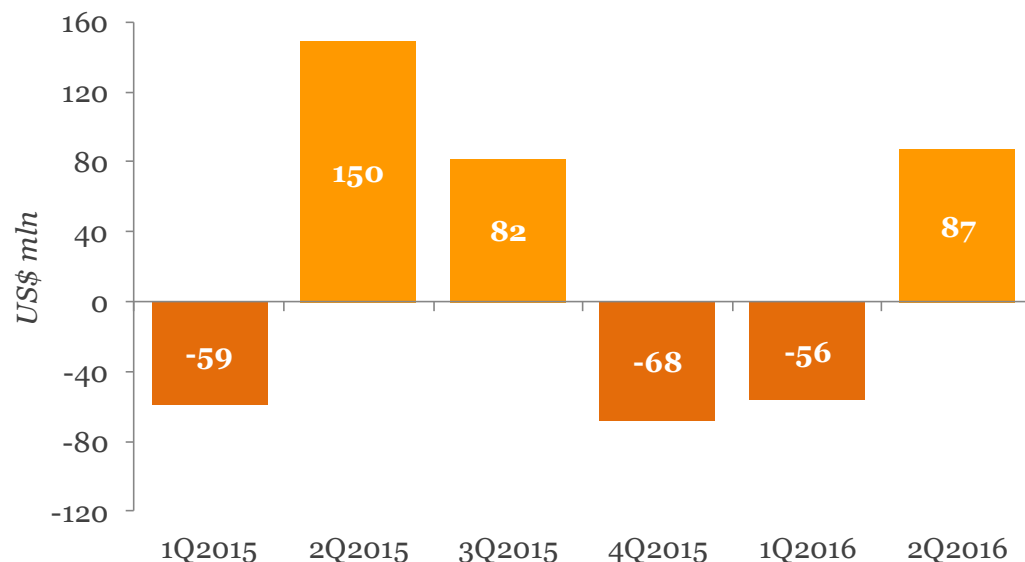
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Working Capital and Debt Maturity Profile

Working Capital Position as at June 30, 2016

Changes in working capital



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

Source: TMK data

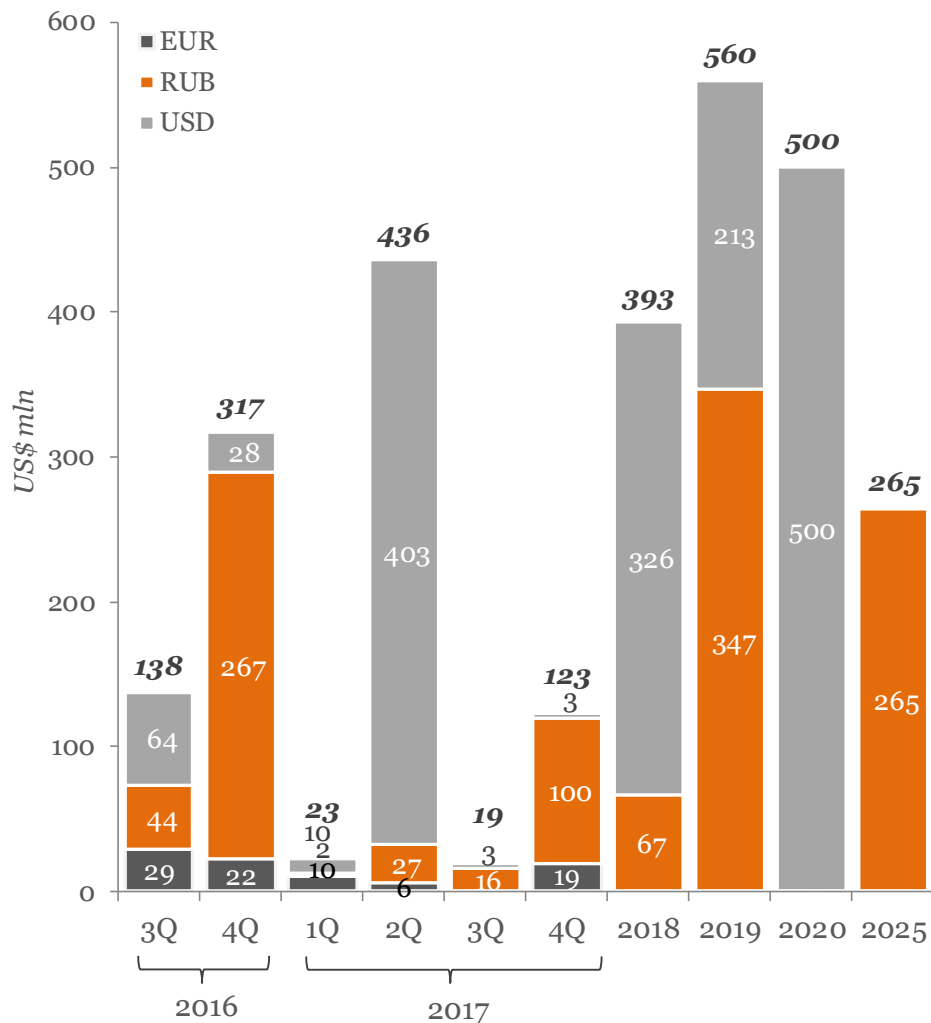
US\$ mln	2015				2015	2016
	1Q	2Q	3Q	4Q	6m	6m
Decrease/(increase) in inventories	6	92	(39)	39	98	14
Decrease/(increase) in trade and other receivables	(6)	121	49	(49)	114	22
Decrease/(increase) in prepayments	12	7	(29)	29	19	15
Increase/(decrease) in trade and other payables	(46)	(77)	(19)	19	(123)	40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

Source: TMK data

Debt Maturity Profile as at June 30, 2016



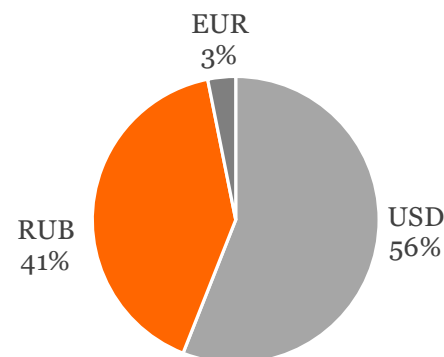
Debt maturity profile as at June 30, 2016



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

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

Debt currency structure



Source: TMK management accounts, TMK estimates

- In Russia, TMK anticipates 3Q 2016 sales to be lower compared to 2Q 2016, mostly due to seasonally weaker OCTG demand and pre-planned maintenance works at TMK's Russian plants. In 4Q 2016, the Company expects seasonally strong OCTG demand as the Russian oil and gas majors begin to stock up on pipes. Margins at the Russian division are expected to be similar to FY 2015, supported by strong OCTG demand and TMK's ongoing cost-cutting program.
- In the US, TMK expects a moderate increase in drilling activity during the second half of the year. The Company anticipates demand for new production and shipments to be somewhat dampened by the large distributor inventories built up during 15 months' worth of declining rig count. As such, TMK expects demand from oil and gas companies to continue to improve in the fourth quarter of the year, to coincide with the start of a gradual recovery in prices.
- Industrial pipe consumption in the European pipe market will somewhat decline in 3Q 2016, affected by the holiday season and a seasonal slowdown of business activity, while prices are expected to remain nearly flat quarter-on-quarter. In 4Q 2016, the Company expects an improvement in its sales and financial performance at the European division.
- Overall, TMK anticipates an improved EBITDA performance in 2H 2016 driven by a gradual improvement at the American division and stable results at the Russian division. The Company expects the FY 2016 EBITDA margin to remain flat compared to FY 2015.



Thank you

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