



Financial Presentation

2Q/ 1H 2018 IFRS Results

August 16, 2018



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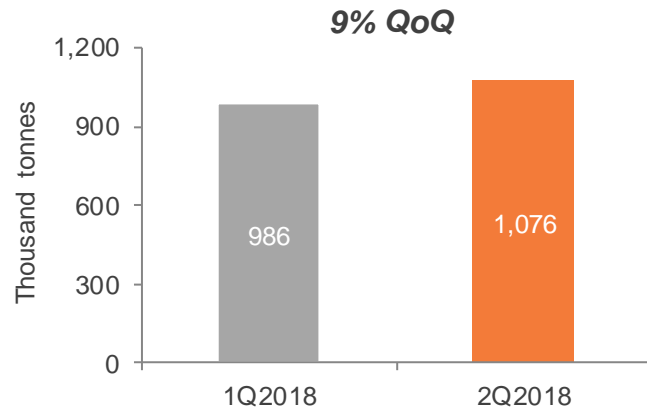


2Q/ 1H 2018 Summary Financial Results and Market Update

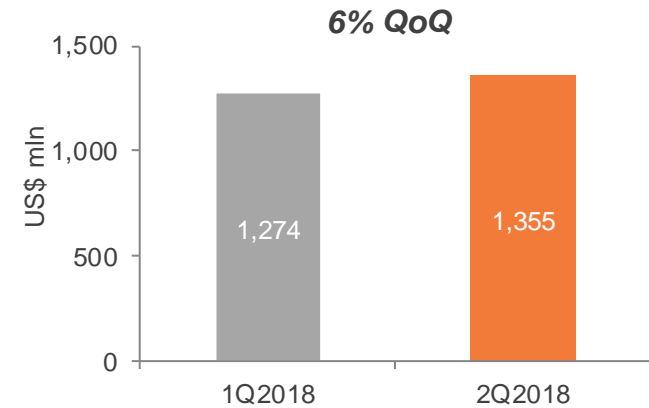


2Q 2018 vs. 1Q 2018 Summary Financial Highlights

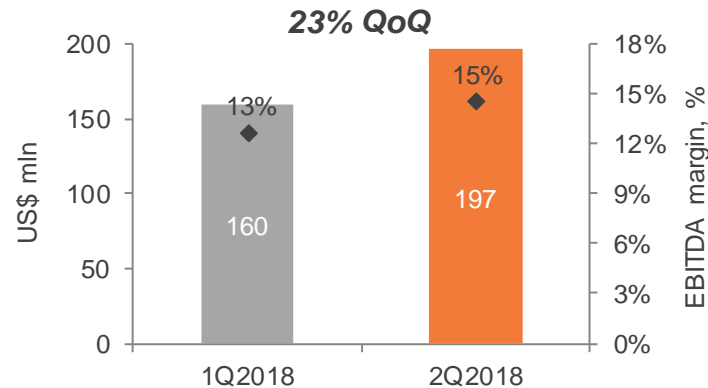
Sales were up QoQ across all divisions



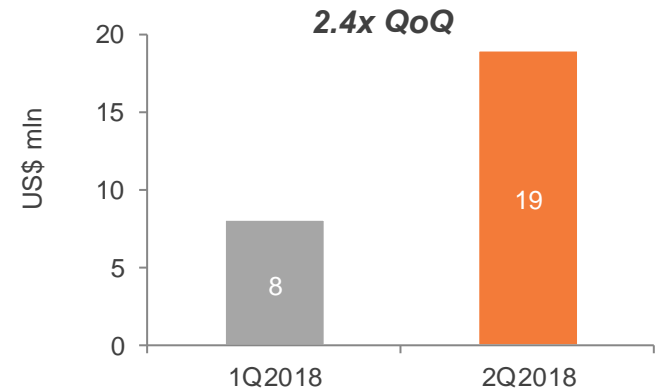
Revenue increased QoQ, driven by stronger pipe sales and higher prices at the American and European divisions and the stable performance of the Russian division



Adjusted EBITDA increased QoQ, due to an improved performance across all divisions



Net profit increased QoQ

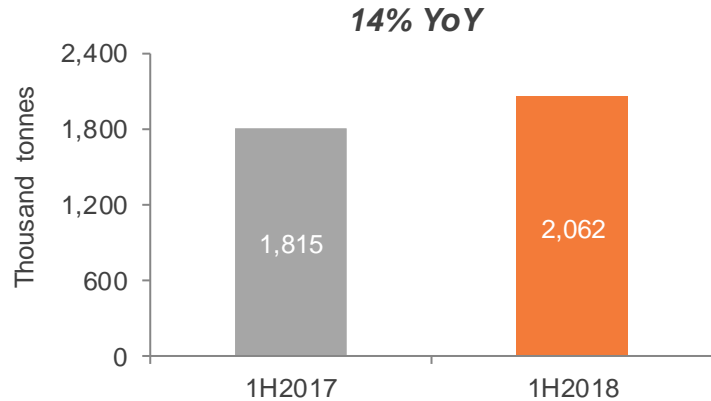


Source: TMK data

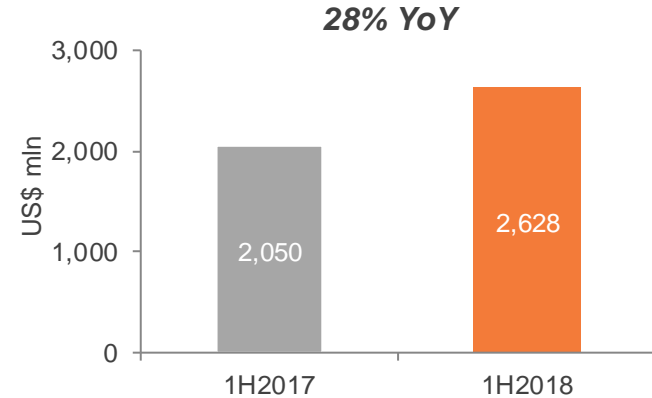


1H 2018 vs. 1H 2017 Summary Financial Highlights

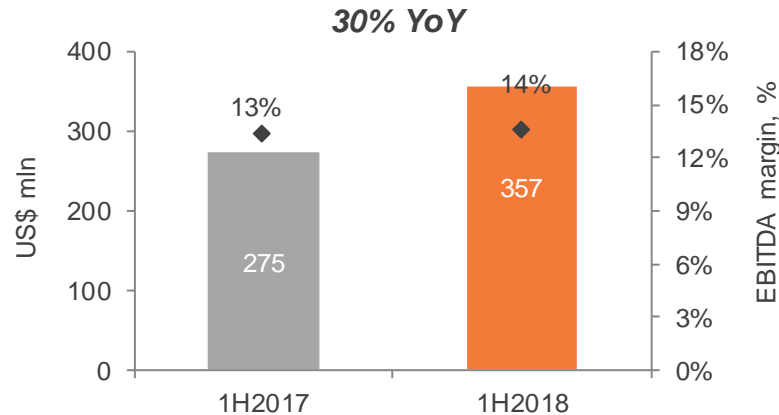
Sales were up QoQ across all divisions



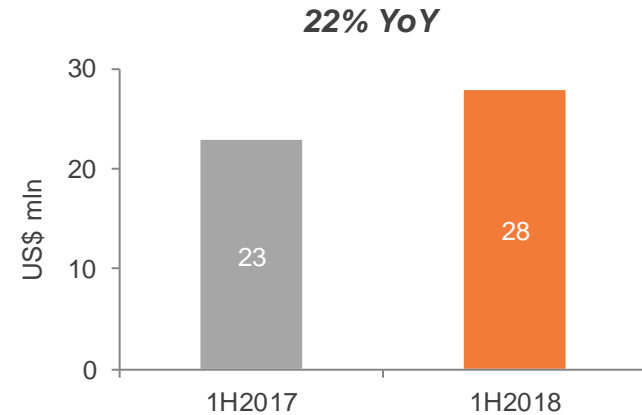
Revenue increased YoY, driven by stronger sales and improved pricing across all divisions



Adjusted EBITDA increased YoY, driven by a stronger performance at all three divisions. Part of the increase was offset by higher raw materials prices and a negative effect of FX translation at the Russian division



Net profit increased YoY

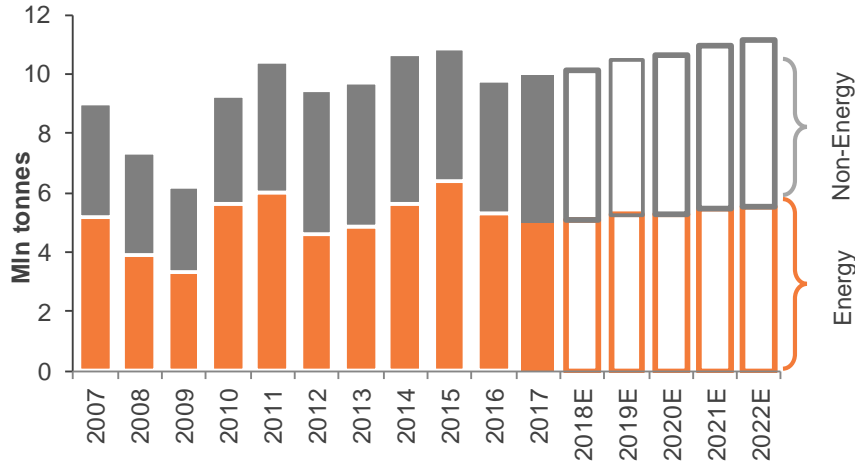


Source: TMK data



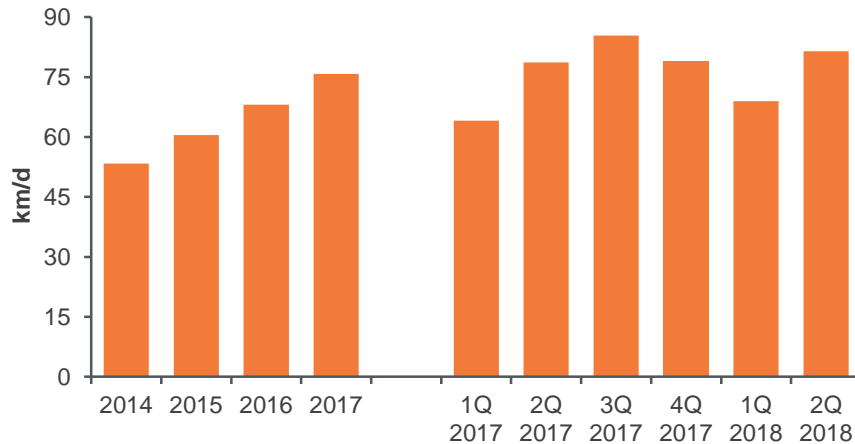
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains strong



Source: CDU TEK

Key considerations

2Q 2018 vs. 1Q 2018

- In 2Q, the Russian pipe market grew 4% compared to the previous quarter, driven by higher demand for industrial pipe, while the Russian OCTG market declined 3% quarter-on-quarter following seasonally slower purchasing activity by the oil and gas companies.
- The share of horizontal drilling grew from 44% in 1Q 2018 to 45% in 2Q 2018.

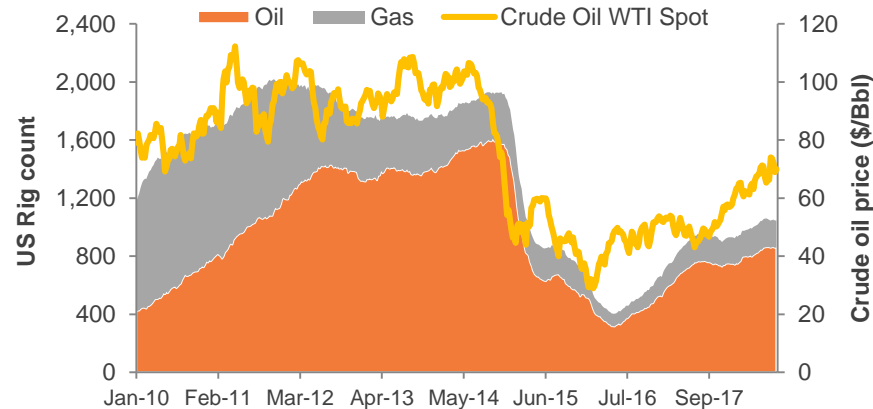
1H 2018 vs. 1H 2017

- In 1H, the Russian pipe market grew 9% year-on-year, largely driven by higher demand for LD and welded industrial pipe.
- The market growth was partially offset by weaker OCTG consumption compared to 1H 2017, due to the fact that rising oil prices in 1H 2017 drove oil and gas companies to replenish their OCTG inventories at that time.
- Drilling activity in Russia increased 6% year-on-year, with the share of horizontal drilling growing from 39% in 1H 2017 to 45% in 1H 2018.



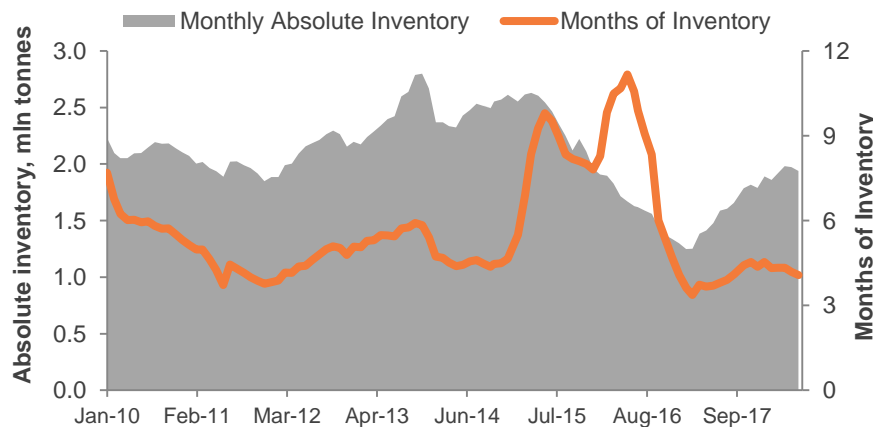
US Market Overview

Rising oil prices driving improvement in rig count



Source: Baker Hughes, EIA

OCTG inventories



Source: Preston Pipe & Tube Report, Company data

Key considerations

2Q 2018 vs. 1Q 2018

- Drilling activity in 2Q continued to increase, with the average number of rigs growing 8% compared to the prior quarter (Baker Hughes), and drove OCTG consumption up 9% quarter-on-quarter (Preston Pipe Report).

1H 2018 vs. 1H 2017

- The recovery in crude oil prices and higher E&P spending by the oil and gas companies resulted in higher drilling activity and an increased number of rigs, stronger OCTG consumption and a more favourable pricing environment.

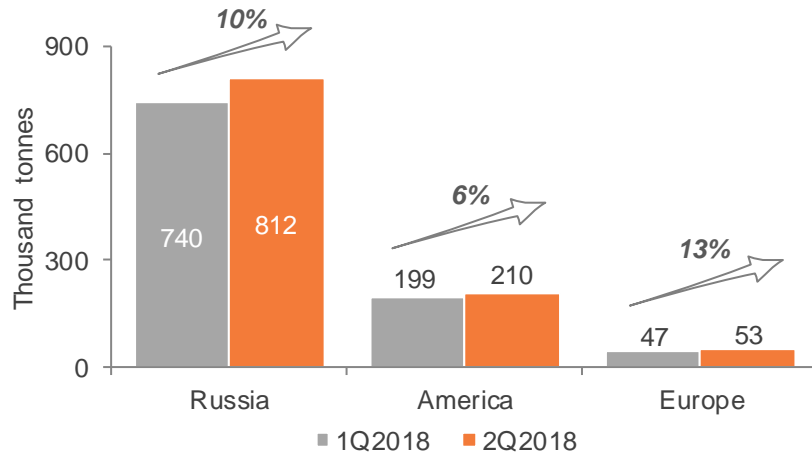


2Q 2018 vs. 1Q 2018 Results



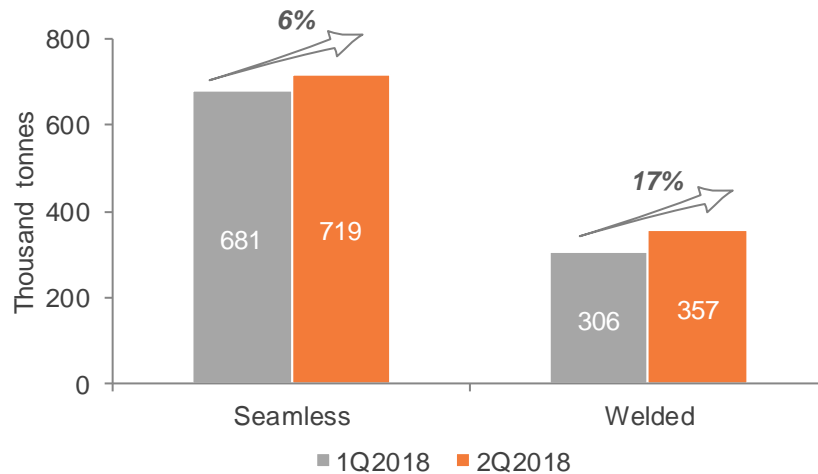
2Q 2018 vs. 1Q 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased QoQ, with higher OCTG, industrial pipe and LDP sales
- American division sales grew QoQ, mainly due to higher demand for OCTG
- European division sales increased QoQ, backed by stronger demand for seamless industrial pipe

Sales by product group



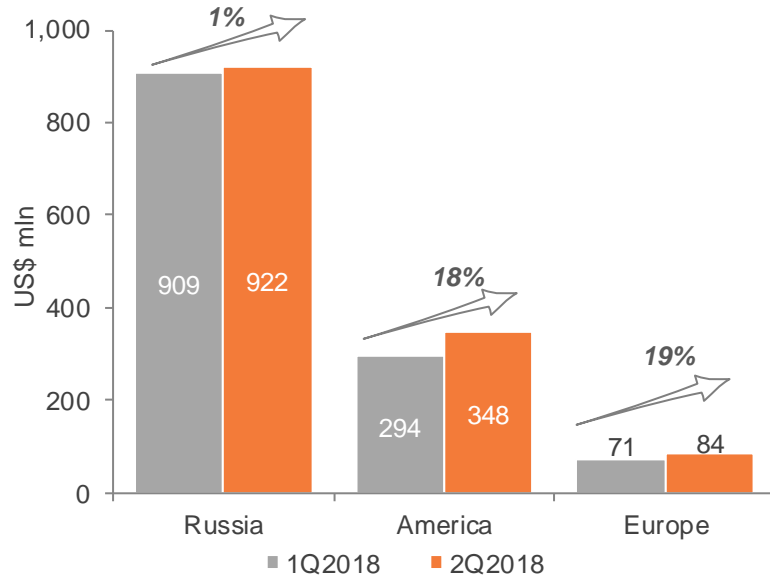
- Seamless pipe sales grew QoQ, due to higher seamless OCTG and industrial pipe sales at the Russian division, increased seamless OCTG sales at the American division and higher industrial pipe sales at the European division
- Welded pipe sales grew QoQ, mainly due to higher LD, industrial and line pipe sales at the Russian division and increased welded OCTG sales at the American division
- Total OCTG sales increased QoQ, due to higher sales at both the Russian and American divisions

Source: TMK data

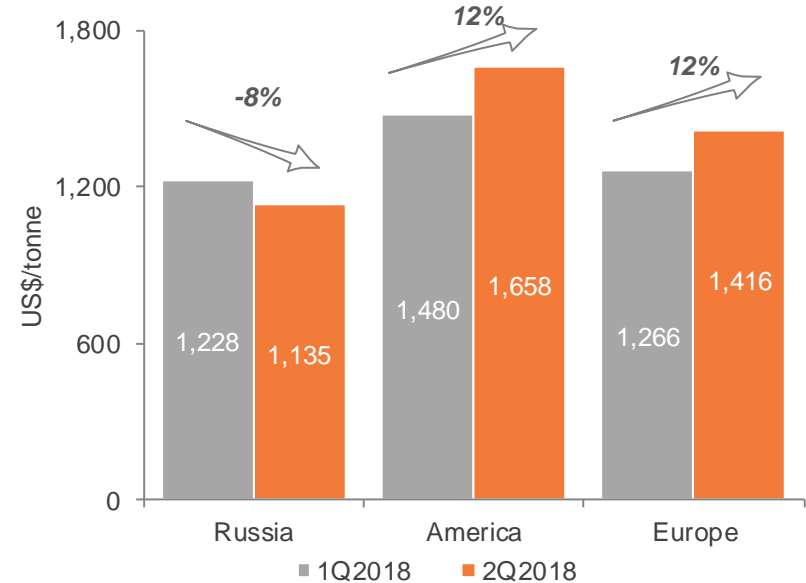


2Q 2018 vs. 1Q 2018 Revenue by Division

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+billets sales

- Russian division revenue increased QoQ, supported by higher pipe sales and stronger pricing, but most of the increase was offset by a negative currency translation effect
- Stronger results of the American division were mainly driven by increased OCTG sales and stronger pricing for both seamless and welded pipe
- European division revenue increased QoQ, as a result of higher seamless industrial pipe sales and growth in selling prices

- Russian division revenue per tonne declined QoQ due to a negative effect of currency translation
- American division revenue per tonne increased QoQ, due to a higher share of OCTG sales in the product mix and an improved pricing environment
- European division revenue per tonne increased QoQ due to higher selling prices and a lower share of steel billet sales in the total product mix

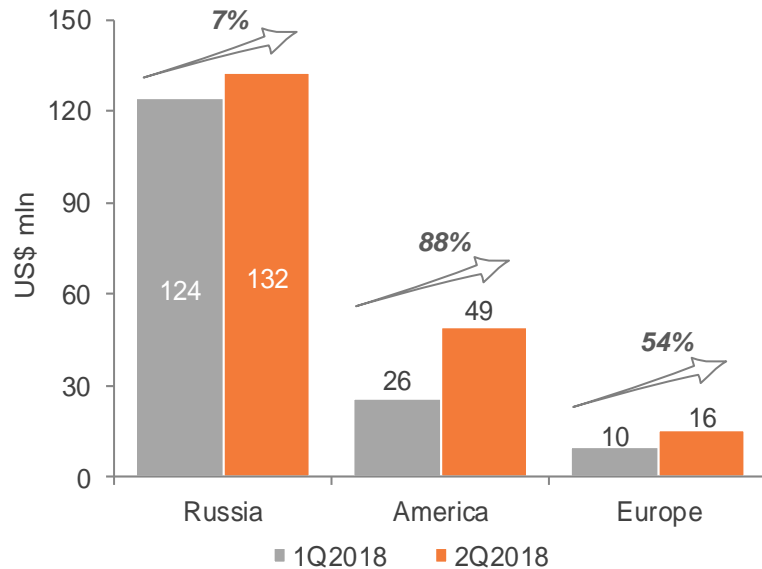
Source: Consolidated IFRS financial statements, TMK data

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.



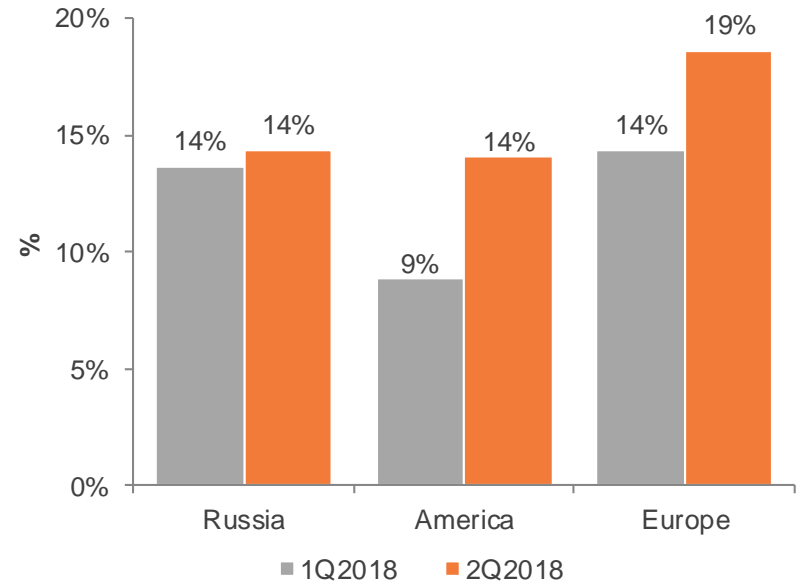
2Q 2018 vs. 1Q 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA increased QoQ, supported by lower SG&A and other operating expenses
- American division Adjusted EBITDA increased QoQ, due to an improved product mix towards seamless pipe sales
- European division Adjusted EBITDA grew QoQ mainly due to increased sales and a better pricing environment

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin remained generally flat QoQ
- American division Adjusted EBITDA margin increased due to a higher share of OCTG in the product mix
- European division Adjusted EBITDA margin notably improved, resulting from a significant shift in the product mix towards higher margin products due to the launch of the new heat treatment facility in January 2018

Source: Consolidated IFRS financial statements, TMK data

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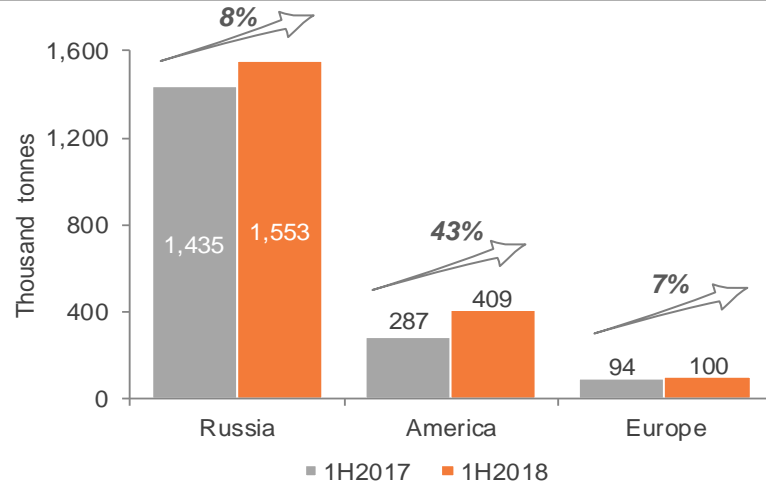


1H 2018 vs. 1H 2017 Results



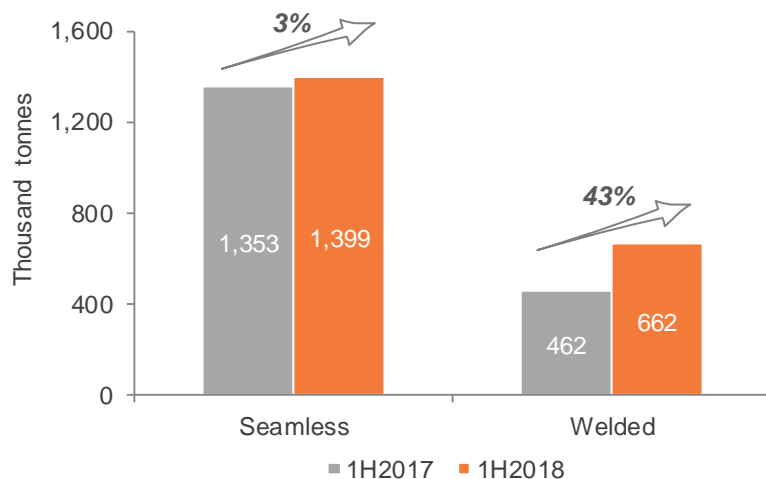
1H 2018 vs. 1H 2017 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven by higher seamless and welded line pipe, LDP and seamless OCTG sales
- The continued improvements in the US oil and gas market, which saw higher drilling activity and E&P spending, led to a significant y-o-y increase in OCTG sales at the American division
- European division sales increased due to higher demand in the European market

Sales by product group



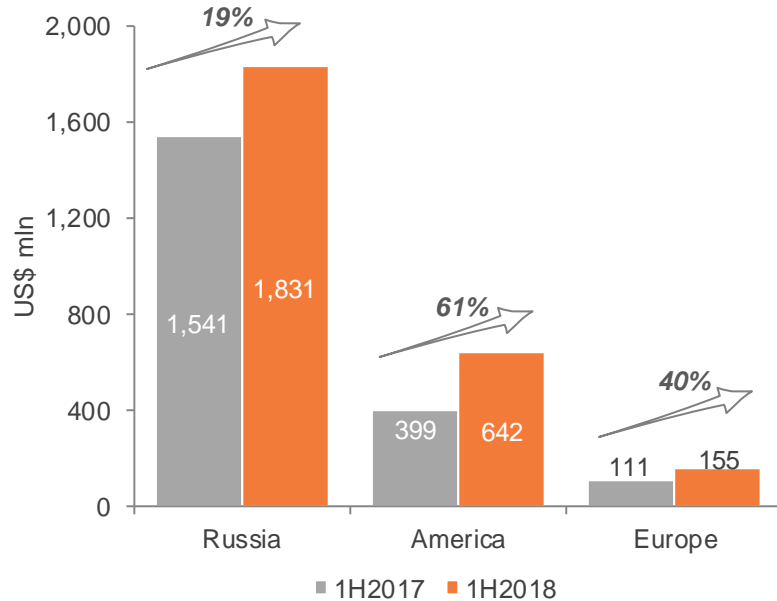
- Seamless pipe volumes increased compared to 1H 2017, mainly driven by growth in OCTG and line pipe sales at the Russian division and higher seamless OCTG sales at the American division
- Welded pipe sales increased compared to 1H 2017, due to considerable growth in welded pipe volumes at the American and Russian divisions
- Total OCTG sales increased 10% compared to 1H 2017, driven by substantial growth at the American division and higher seamless OCTG sales at the Russian division

Source: TMK data

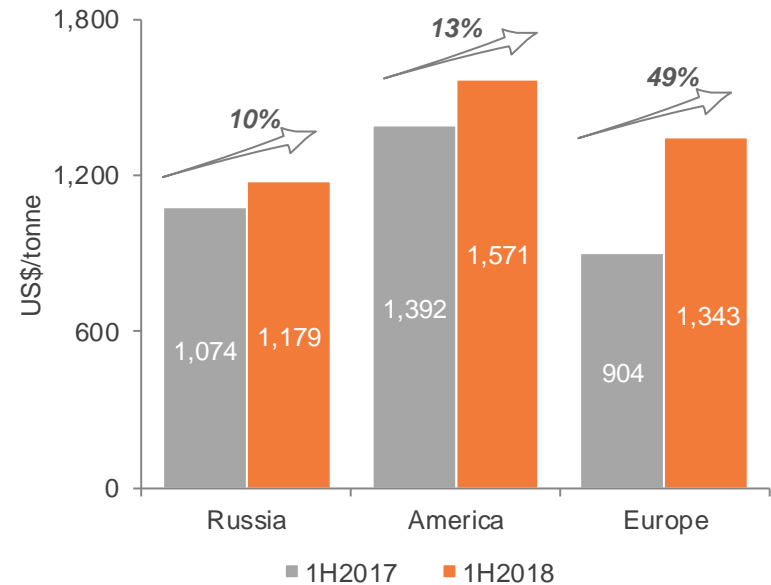


1H 2018 vs. 1H 2017 Revenue by Division

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+billets sales

- The Russian division's YoY revenue growth was driven by higher seamless and welded line pipe, LDP and OCTG sales, stronger prices and a more favourable product mix
- Revenue for the American division grew materially YoY due to a significant increase in pipe volumes, especially OCTG, and stronger pricing supported by improved market conditions
- A healthy YoY performance at the European division reflected higher sales, stronger pricing and a better sales mix

- Russian division revenue per tonne increased YoY, due to higher prices and a better sales mix. The increase was partially offset by the negative effect of currency translation
- American division revenue per tonne grew YoY as a result of improved pricing
- European division revenue per tonne improved YoY due to a better product mix and stronger pricing

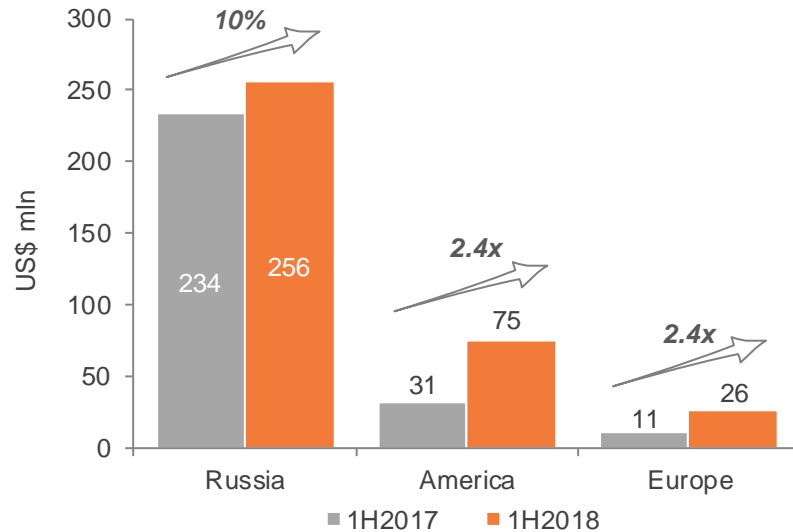
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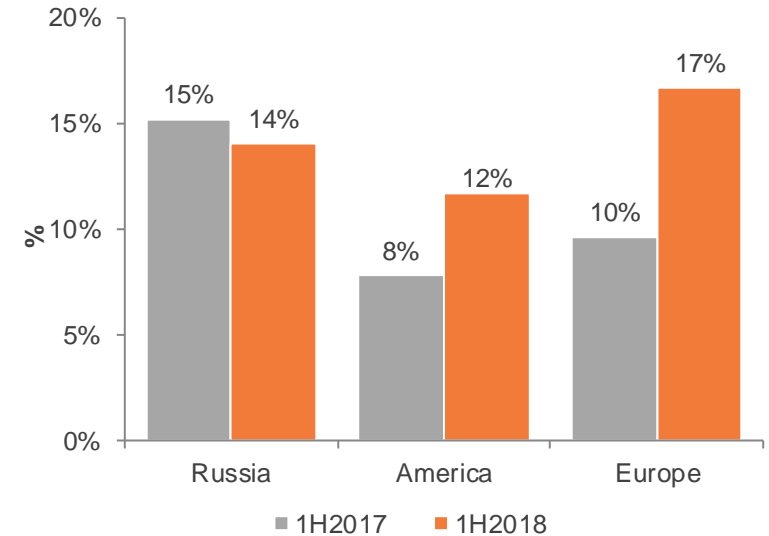
1H 2018 vs. 1H 2017 Adjusted EBITDA by Division

Adjusted EBITDA



- The YoY increase in the Russian division Adjusted EBITDA was supported by higher pricing and lower SG&A costs, but was partially offset by a negative effect of the currency translation
- American division Adjusted EBITDA significantly improved YoY, due to a better market environment
- European division Adjusted EBITDA increased YoY, driven by higher sales and favourable pricing

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin declined YoY as a result of higher raw material prices
- American division Adjusted EBITDA margin improved due to a better pricing environment
- European division Adjusted EBITDA margin increased YoY, mostly due to a more favourable product mix towards higher margin products and higher prices

Source: Consolidated IFRS financial statements, TMK data

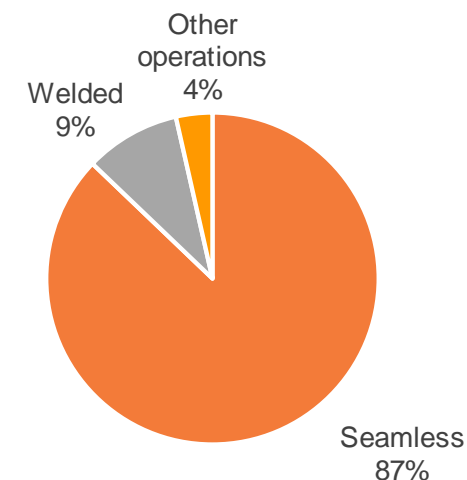
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Seamless – Core to Profitability

	US\$ mln <i>(unless stated otherwise)</i>	2Q2018	QoQ, %	1H2018	YoY, %
SEAMLESS	Sales - Pipes, kt	719	6%	1,399	3%
	Revenue	914	4%	1,796	19%
	Gross profit	213	8%	411	15%
	Margin, %	23%		23%	
	Avg revenue/tonne (US\$)	1,271	-2%	1,283	15%
	Avg gross profit/tonne (US\$)	297	2%	293	12%
WELDED	Sales - Pipes, kt	357	17%	662	43%
	Revenue	372	18%	689	58%
	Gross profit	30	116%	44	-22%
	Margin, %	8%		6%	
	Avg revenue/tonne (US\$)	1,043	1%	1,040	10%
	Avg gross profit/tonne (US\$)	84	85%	66	-46%

1H 2018 gross profit breakdown



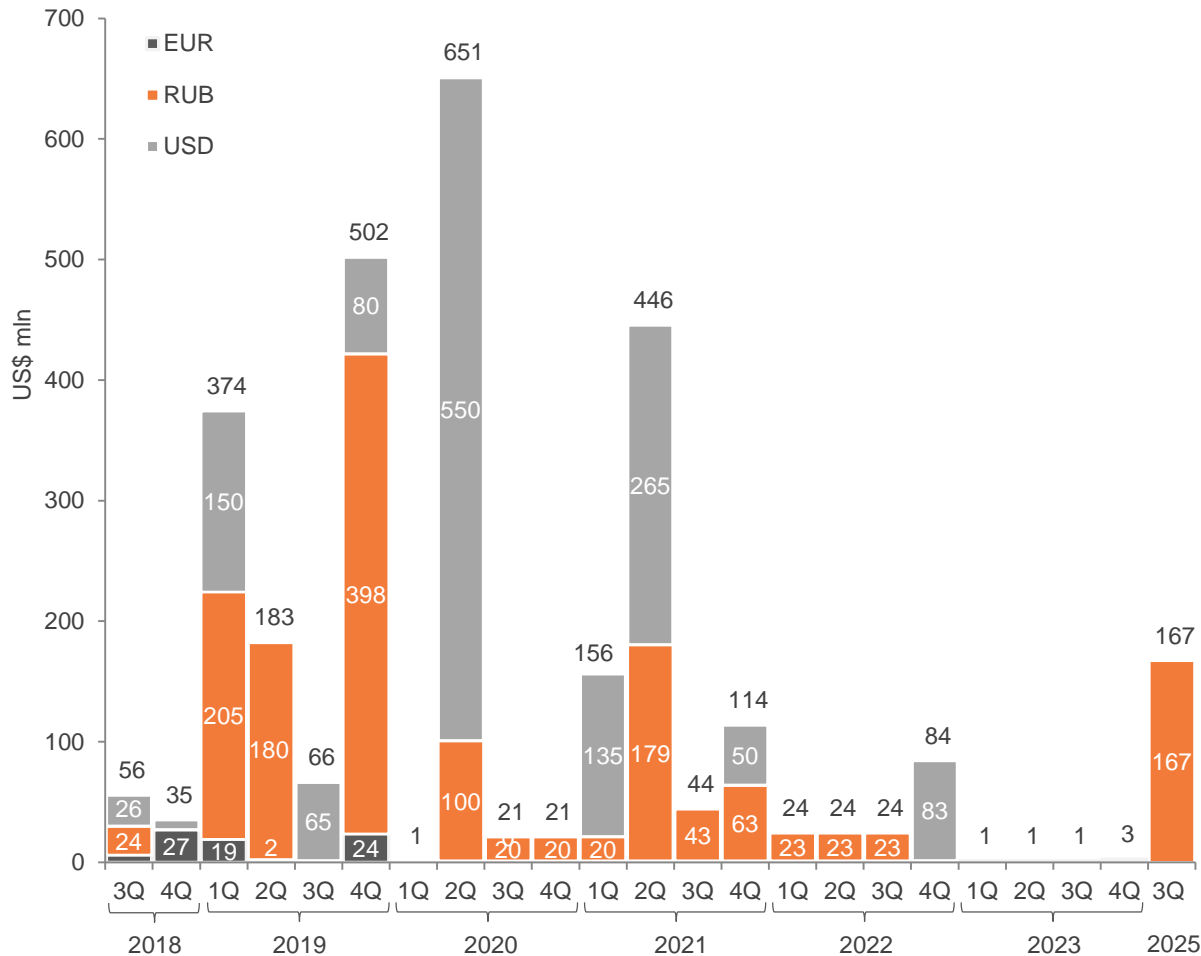
- Sales of seamless pipe generated 68% of the total revenue in 1H 2018
- Gross profit from seamless pipe sales represented 87% of 1H 2018 total gross profit
- Gross profit margin from seamless pipe sales amounted to 23% in 1H 2018

Source: Consolidated IFRS financial statements, TMK data

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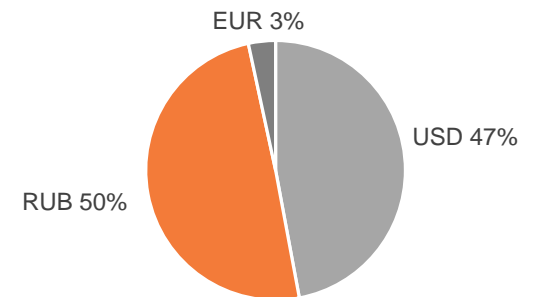


Debt Maturity Profile as at June 30, 2018



- As at June 30, 2018, Net Debt amounted to US\$2,715 mln
- In January 2018, TMK fully redeemed the remaining part of its US\$500 mln 7-year Eurobond issue in the total nominal value of US\$231 mln
- The weighted average nominal interest rate decreased by 90 bps since the end of 2017 to 7.27%
- Credit Ratings:
 - ✓ S&P B+, Stable
 - ✓ Moody's B1, Stable

Debt currency structure



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

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Outlook and Trends

- TMK reiterates its previous guidance for FY2018 with adjusted EBITDA margin expected to remain broadly flat compared to FY 2017 with overall higher adjusted EBITDA.
- In Russia, TMK expects seamless OCTG consumption to remain strong in 2018 with weaker LDP demand, due to the completion or rescheduling of a number of major pipeline construction projects.
- In the US, according to Spears and Associates Drilling and Production Outlook as of June 2018, the rig count in the US grew from 929 on December 29, 2017 to 1,047 on June 29, 2018, driving higher demand for OCTG pipe. With the price of WTI over \$64/bbl and a rig count above 1,000, fundamentals are strong and powered OCTG consumption growth in North America throughout 2017 and in the first half of 2018. The market saw demand softness in the first quarter of 2018 due to 4Q 2017's low E&P CAPEX burn rate. In the second quarter of 2018, the market strengthened.
- The European division anticipates its financial results for 2018 will be much stronger compared to 2017 due to stable pipe demand and a more favourable product mix, mostly resulting from the newly installed heat treatment facility at TMK-ARTROM.



TMK Investor Relations

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

+7 (495) 775-7600

IR@tmk-group.com