

Financial Presentation

3Q/ 9M 2018 IFRS Results

November 16, 2018

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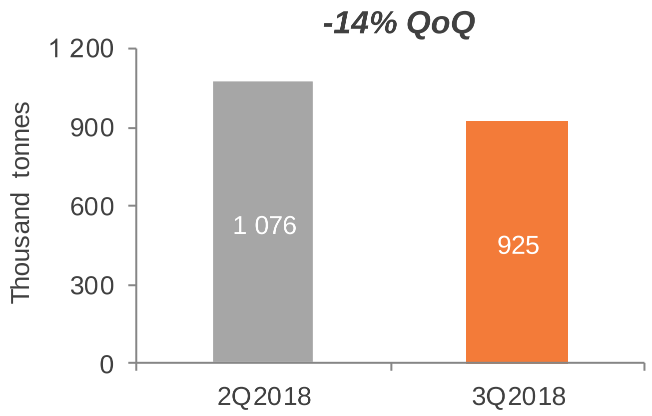
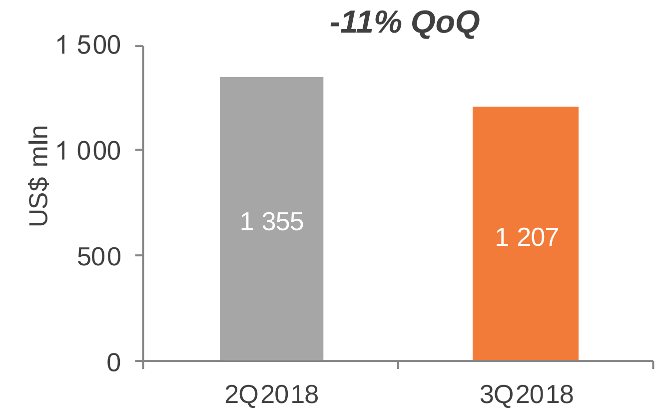
3Q/ 9M 2018 Summary Financial Results and Market Update

3Q 2018 vs. 2Q 2018 Summary Financial Highlights

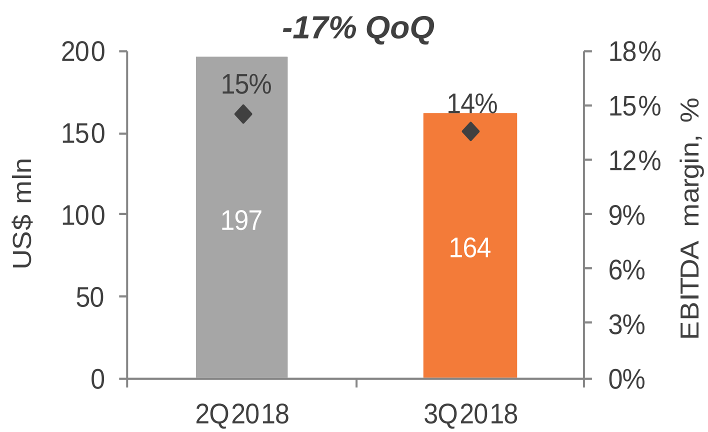
Sales declined QoQ across all divisions



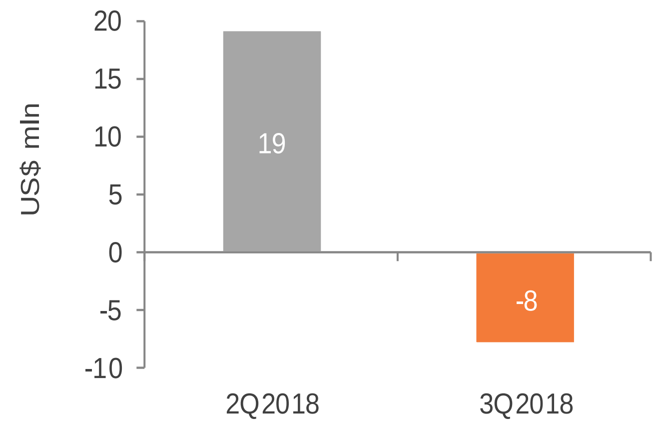
Revenue decreased QoQ, reflecting lower pipe sales across all divisions and a negative currency translation effect



Adjusted EBITDA decreased QoQ, reflecting a weaker performance across all divisions



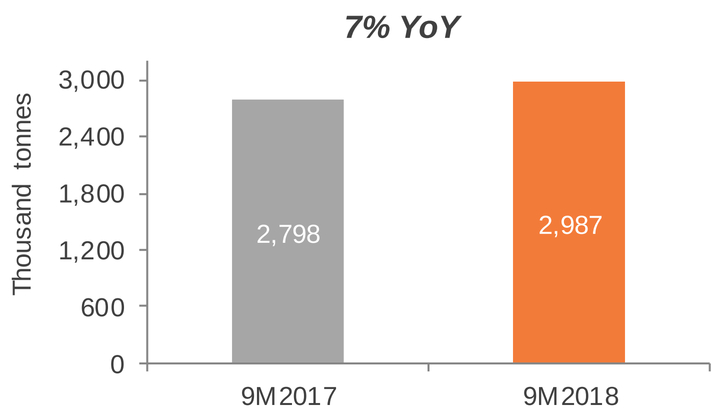
Net loss was recorded, due to a loss on disposal of subsidiaries



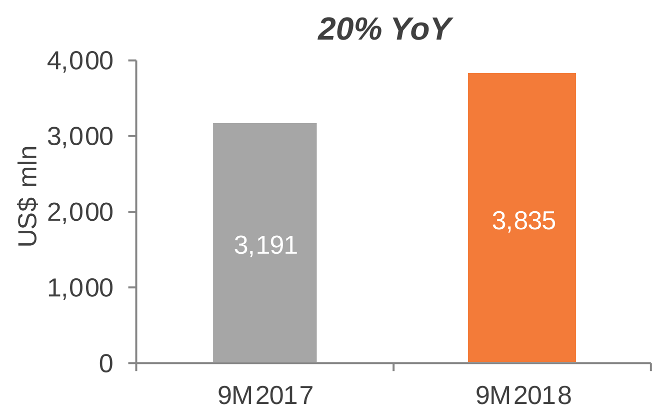
Source: TMK data

9M 2018 vs. 9M 2017 Summary Financial Highlights

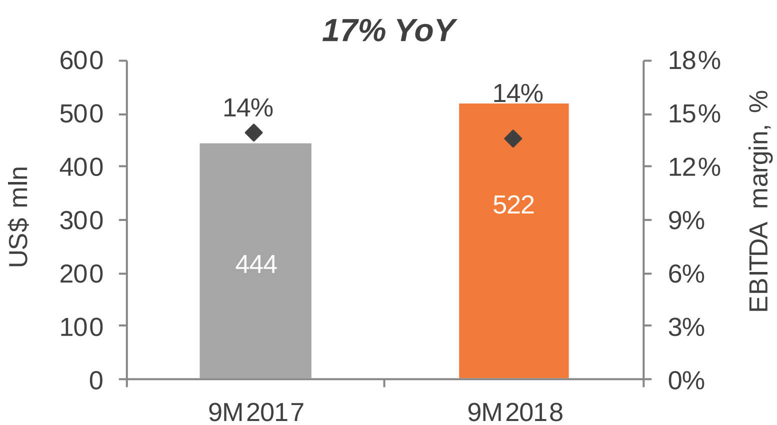
Sales were up YoY across all divisions



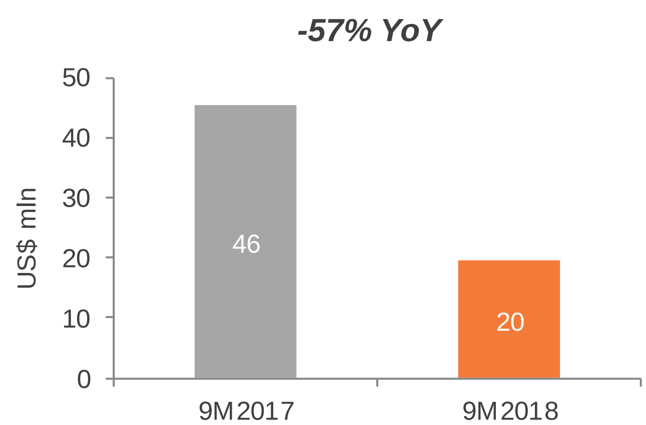
Revenue increased YoY, driven by improved results at all three divisions



Adjusted EBITDA increased YoY, driven by a stronger performance at all three divisions. Part of the increase was offset by a negative currency translation effect at the Russian division



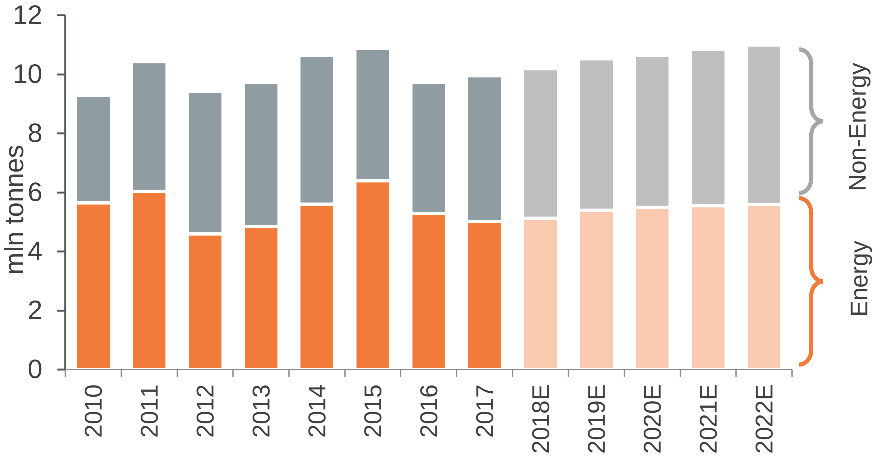
Net profit decreased YoY, due to a loss on disposal of subsidiaries recorded in 3Q 2018



Source: TMK data

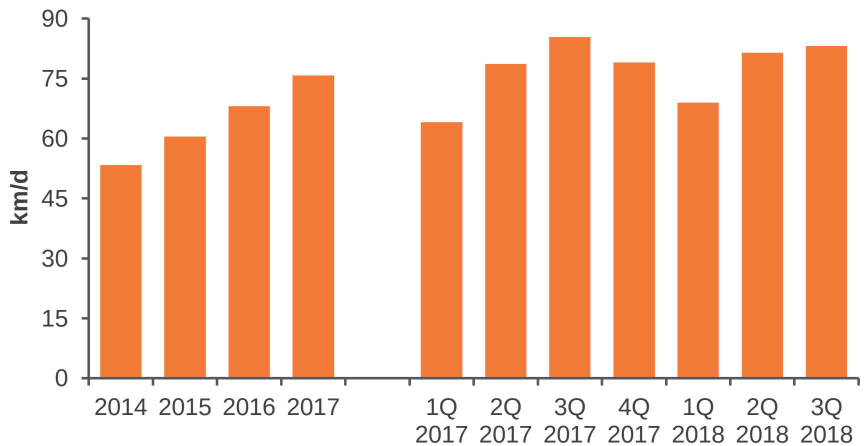
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains strong



Source: CDU TEK

Key considerations

3Q 2018 vs. 2Q 2018

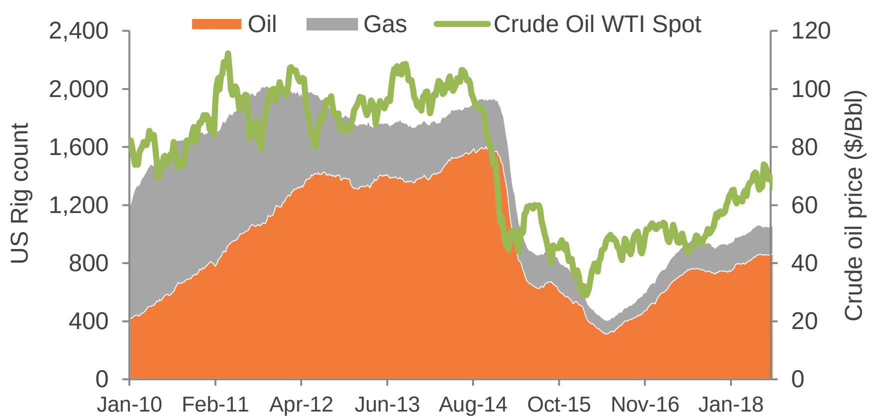
- In 3Q, the Russian pipe market remained in line with the previous quarter. Higher demand for welded industrial pipe was offset by the Russian OCTG market declining 3% quarter-on-quarter following seasonally slower purchasing activity by the oil and gas companies.
- The share of horizontal drilling grew from 45% in 2Q 2018 to 52% in 3Q 2018.

9M 2018 vs. 9M 2017

- In 9M, the Russian pipe market grew 5% year-on-year, largely driven by higher demand for large diameter pipe.
- The market growth was partially offset by weaker OCTG consumption compared to 9M 2017. This was due to rising oil prices in 2017 that drove oil and gas companies to replenish their OCTG inventories at that time.
- Drilling activity in Russia increased 3% year-on-year, with the share of horizontal drilling growing from 40% in 9M 2017 to 48% in 9M 2018.

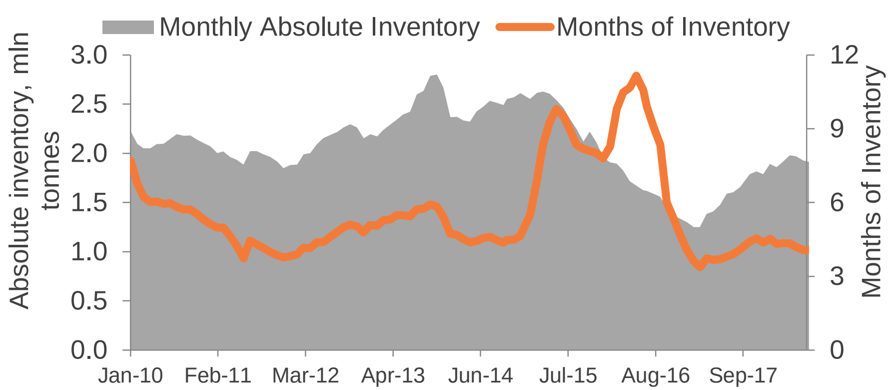
US Market Overview

Rising oil prices driving improvement in rig count



Source: Baker Hughes, EIA

OCTG inventories



Source: Preston Pipe & Tube Report, Company data

Key considerations

3Q 2018 vs. 2Q 2018

- In the U.S., drilling activity in 3Q remained solid, with the average number of rigs increasing 1% compared to the prior quarter (Baker Hughes). OCTG shipments declined 12% quarter-on-quarter (Preston Pipe Report) following the high buildup of inventories in the market that took place during 2Q 2018, ahead of the implementation of Section 232.

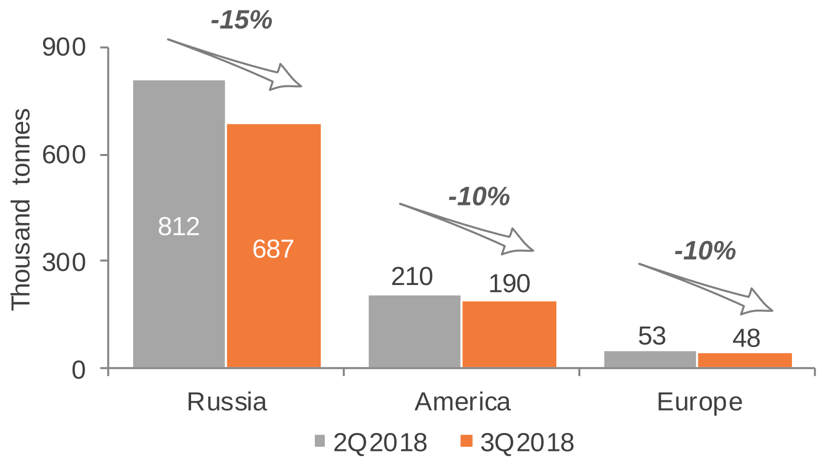
9M 2018 vs. 9M 2017

- In the U.S., the OCTG market fundamentals remain strong with a recovery in crude oil prices and higher E&P spending by the oil and gas companies. This resulted in an increased number of rigs and solid OCTG consumption, sustained by more wells per rig and longer laterals, despite short-term takeaway concerns in the Permian basin.

3Q 2018 vs. 2Q 2018 Results

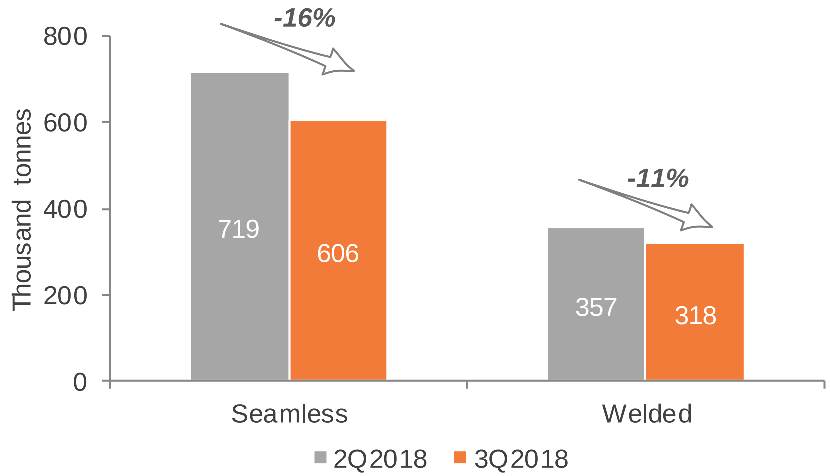
3Q 2018 vs. 2Q 2018 Sales by Division and Product Group

Sales by division



- Russian division sales decreased QoQ, due to pre-planned upgrade and maintenance works at the Russian division's key production facilities and lower LDP sales
- American division sales decreased QoQ, mainly a result of lower OCTG and line pipe sales due to the high level of inventories built up in the U.S. during 2Q 2018
- European division sales decreased QoQ, due to seasonal slowdown of activities in the European market

Sales by product group

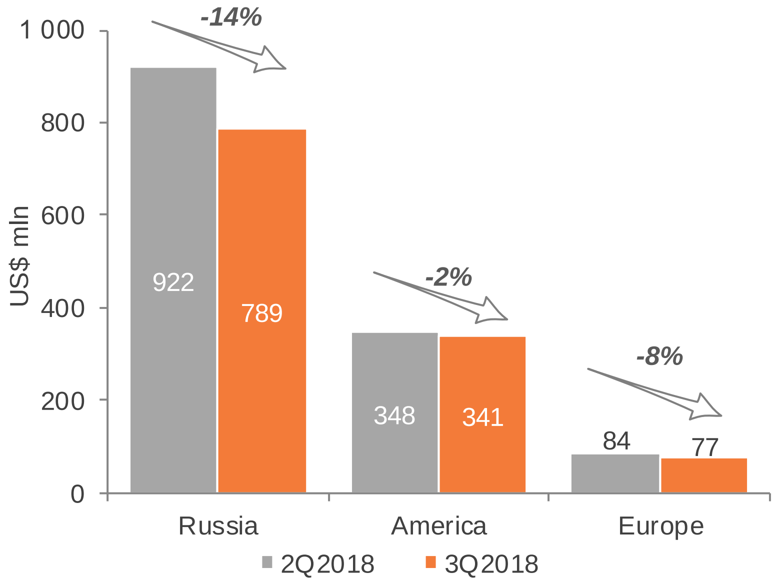


- Seamless pipe sales decreased QoQ, due to lower seamless pipe across all divisions, impacted by the pre-planned upgrade and maintenance works at the Russian division's key production facilities and lower sales at the American division due to the high level of inventories built up in the U.S. during 2Q 2018
- Welded pipe sales declined QoQ, mainly due to lower LD and line pipe sales at the Russian division and lower welded line pipe sales at the American division
- Total OCTG sales decreased QoQ, due to lower sales at both the Russian and American divisions

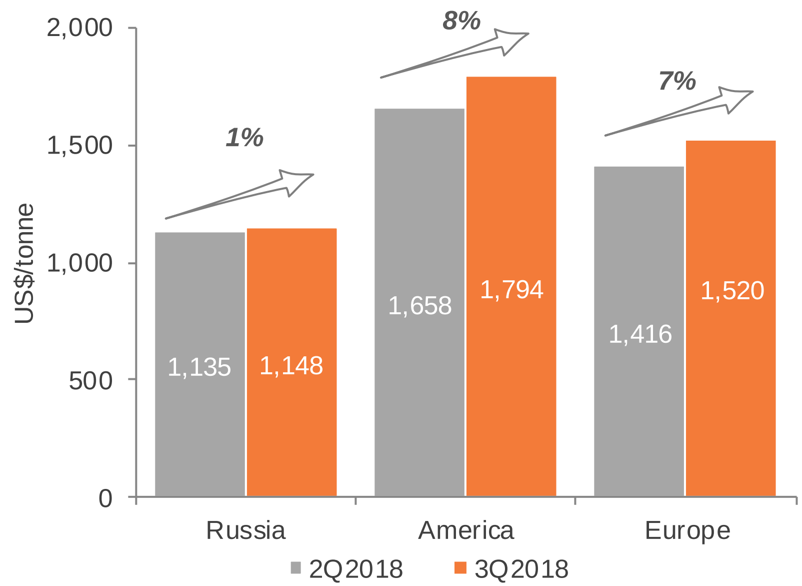
Source: TMK data

3Q 2018 vs. 2Q 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 decreased QoQ, due to lower quarter-on-quarter sales, impacted by pre-planned upgrade and maintenance works at the Russian division's key production facilities, and a negative currency translation effect
- Weaker revenue at the American division was mainly a result of lower OCTG and line pipe sales, which was partially compensated by better pricing
- European division revenue decreased QoQ, impacted by lower sales due to a seasonal slowdown of activities in the European market and a negative currency translation effect

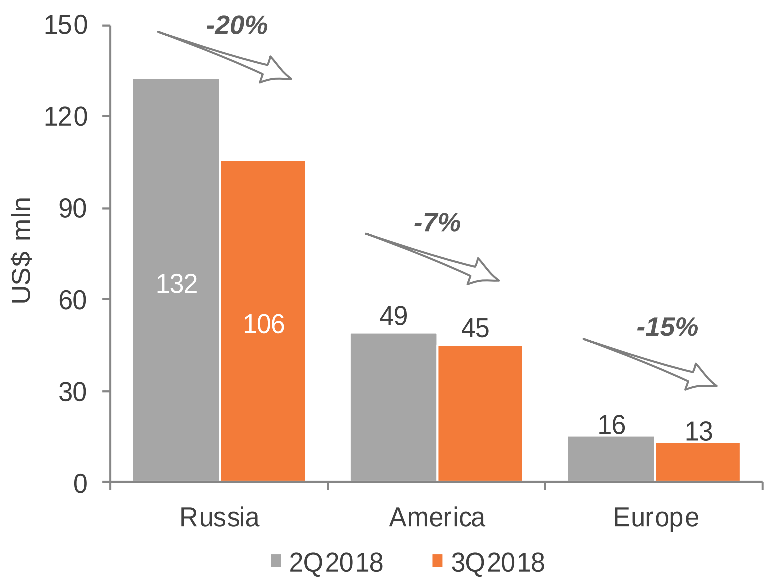
- Russian division revenue per tonne was slightly up, due to better pricing
- American division revenue per tonne increased QoQ, due to a higher share of OCTG sales in the product mix and better pricing
- European division revenue per tonne increased QoQ due to a lower share of steel billet sales in 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.

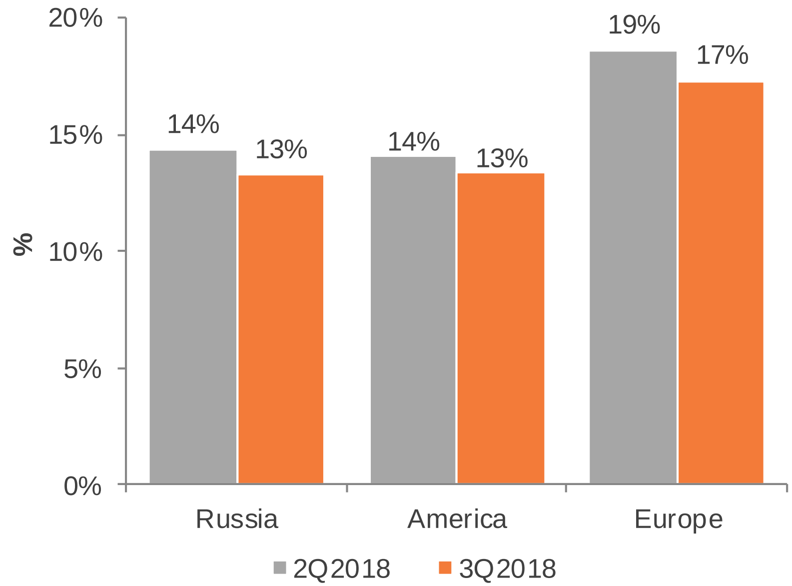
3Q 2018 vs. 2Q 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA decreased QoQ, reflecting lower pipe sales
- American division Adjusted EBITDA decreased QoQ, due to higher raw material prices
- European division Adjusted EBITDA decreased QoQ, negatively impacted by higher SG&A costs

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin declined 1 p.p. QoQ, reflecting a lower share of seamless pipe in the sales mix
- American division Adjusted EBITDA margin declined, due to higher raw material prices
- European division Adjusted EBITDA margin decreased, due to lower Adjusted EBITDA, impacted by higher SG&A costs

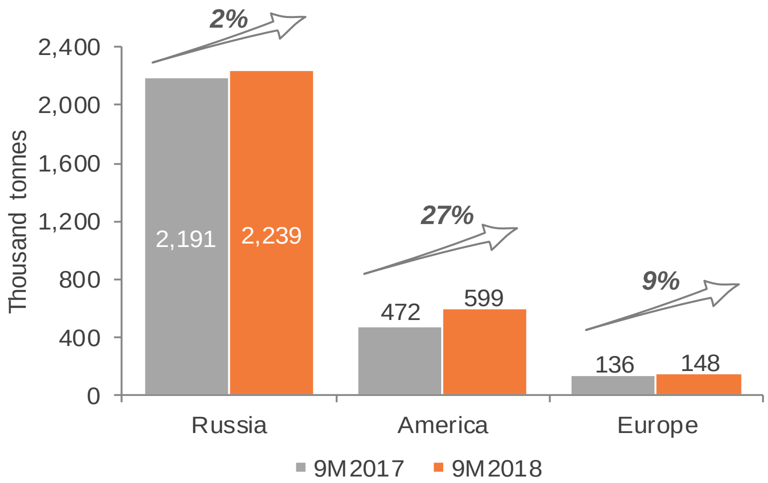
Source: Consolidated IFRS financial statements, TMK data

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.

9M 2018 vs. 9M 2017 Results

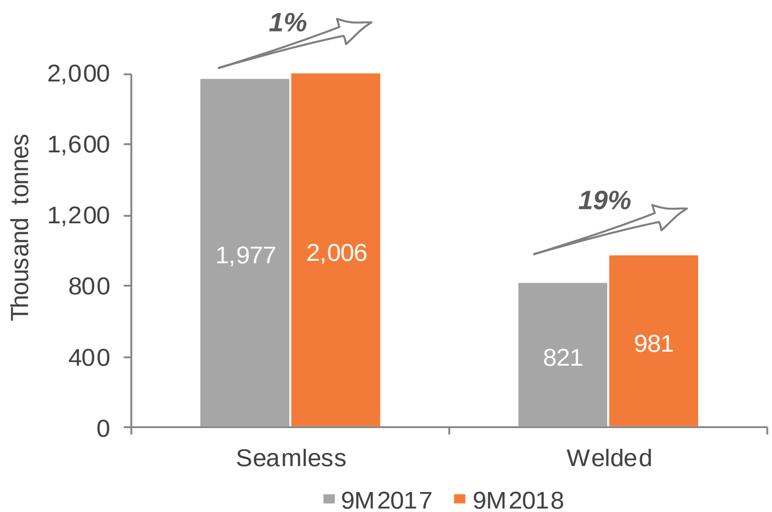
9M 2018 vs. 9M 2017 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven by higher seamless OCTG and LDP sales
- An increase in OCTG and line pipe sales at the American division reflected the continued improvements in the US oil and gas market, which has seen higher drilling activity and E&P spending.
- European division sales increased due to higher demand in the European market

Sales by product group

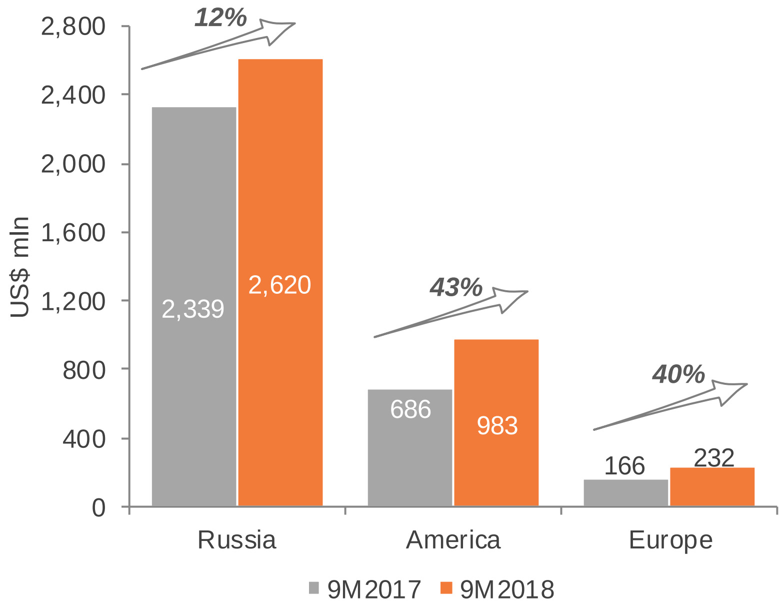


- Seamless pipe volumes increased compared to 9M 2017, mainly driven by growth in OCTG pipe sales at the Russian and the Amercian divisions
- Welded pipe sales increased compared to 9M 2017, due to considerable growth in welded pipe volumes at the American and Russian divisions
- Total OCTG sales increased 7% compared to 9M 2017, driven by substantial growth at the American division and higher seamless OCTG sales at the Russian division

Source: TMK data

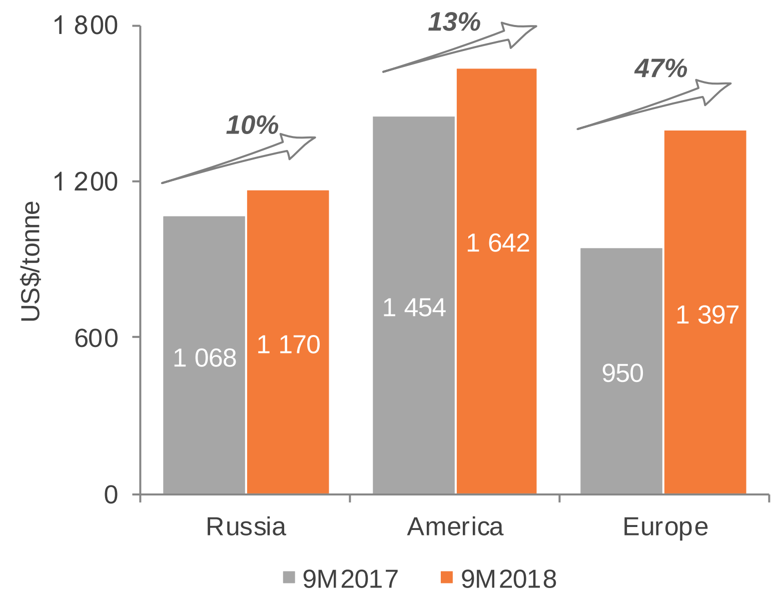
9M 2018 vs. 9M 2017 Revenue by Division

Revenue



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

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 per tonne increased YoY, mainly due to higher prices and an improved sales mix. The increase was partially offset by a negative currency translation effect
- 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

Source: Consolidated IFRS financial statements, TMK data

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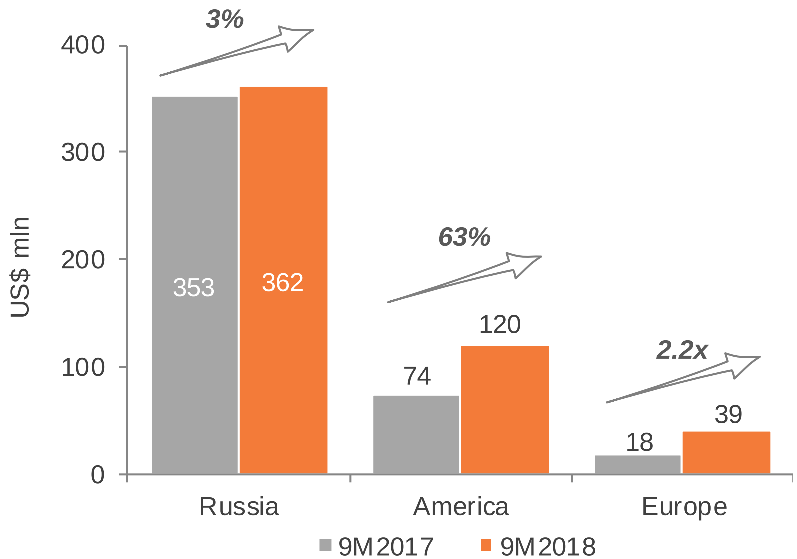
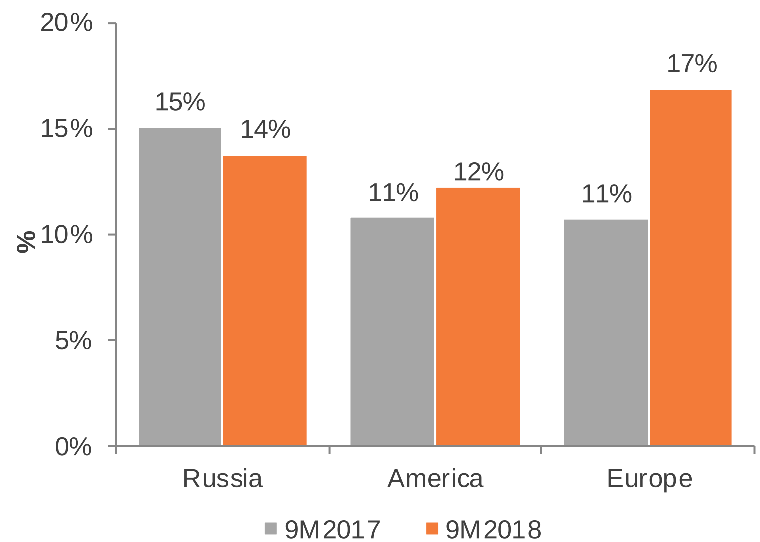
9M 2018 vs. 9M 2017 Adjusted EBITDA by Division

Adjusted EBITDA



Adjusted EBITDA margin



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

- Russian division Adjusted EBITDA margin declined YoY as a result of higher raw material prices seen in 1H 2018 and lower share of seamless pipe in the product mix
- American division Adjusted EBITDA margin improved due to a better pricing environment and improved sales mix
- 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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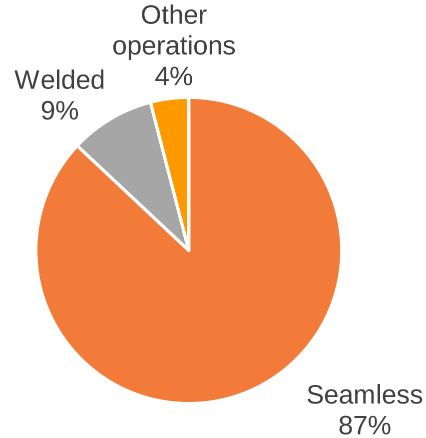
Seamless – Core to Profitability

	US$ mln *(unless stated otherwise)*	3Q2018	QoQ, %	9M2018	YoY, %
SEAMLESS	Sales - Pipes, kt	**606**	*-16%*	**2,006**	*1%*
	Revenue	**804**	*-12%*	**2,600**	*15%*
	Gross profit	**193**	*-9%*	**603**	*9%*
	Margin, %	*24%*		*23%*	
	Avg revenue/tonne (US$)	1,326	*4%*	1,296	*14%*
	Avg gross profit/tonne (US$)	318	*7%*	301	*7%*
WELDED	Sales - Pipes, kt	**318**	*-11%*	**981**	*19%*
	Revenue	**315**	*-15%*	**1,004**	*30%*
	Gross profit	**18**	*-39%*	**62**	*-30%*
	Margin, %	*6%*		*6%*	
	Avg revenue/tonne (US$)	989	*-5%*	1,024	*9%*
	Avg gross profit/tonne (US$)	57	*-32%*	63	*-42%*

9M 2018 gross profit breakdown

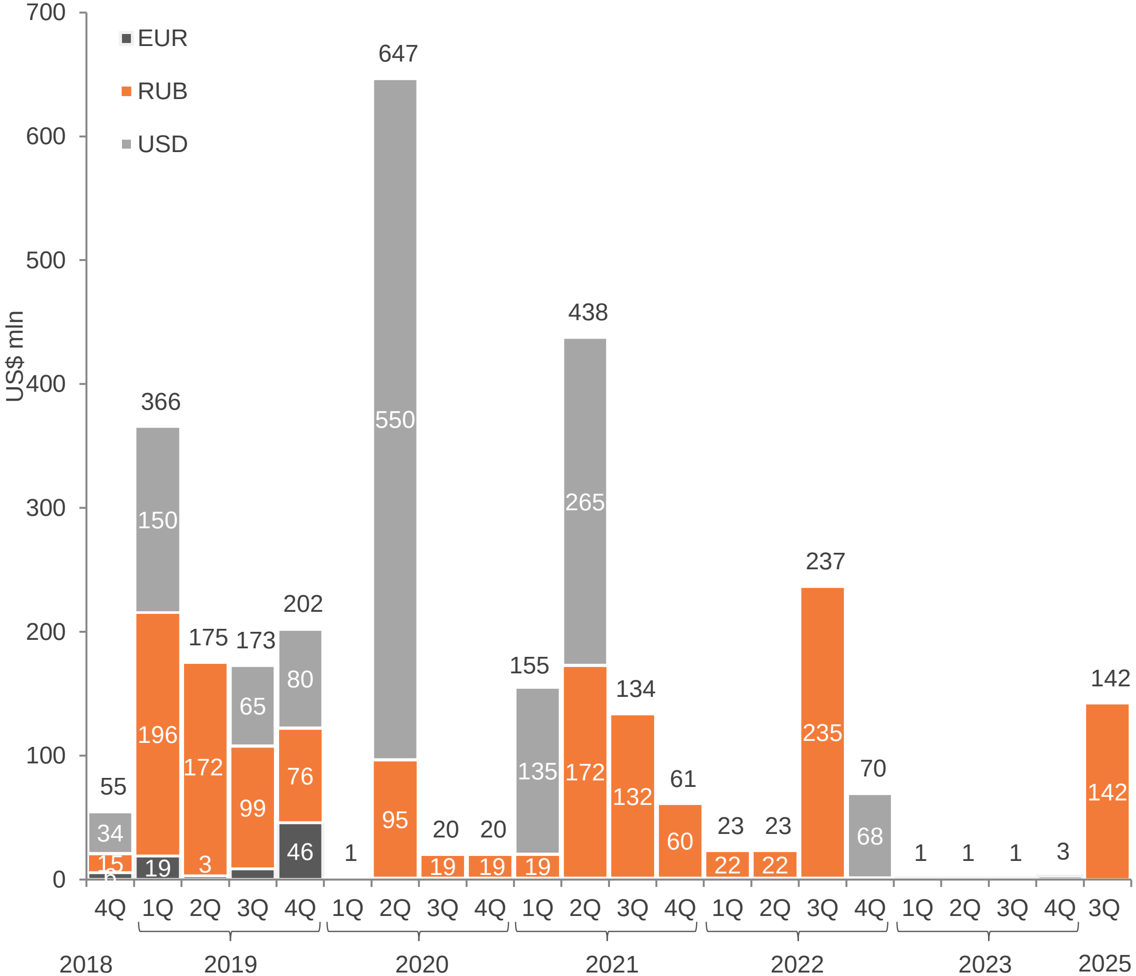


- Sales of seamless pipe generated 68% of total revenues in 9M 2018
- Gross profit from seamless pipe sales represented 87% of 9M 2018 total gross profit
- Gross profit margin from seamless pipe sales amounted to 23% in 9M 2018

Source: Consolidated IFRS financial statements, TMK data

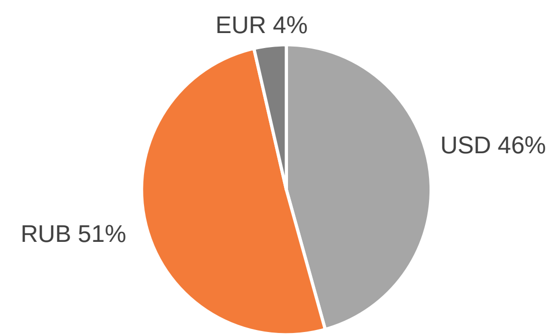
Note: Certain monetary amounts, percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums.

Debt Maturity Profile as at September 30, 2018



- As at September 30, 2018, Net Debt stood at US$ 2,624 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 94 bps since the end of 2017 to 7.22%
- 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

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.

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 U.S., according to Baker Hughes, the rig count grew from 929 on December 29, 2017 to 1,054 on September 28, 2018, driving higher demand for OCTG pipe. With the price of WTI fluctuating between $64 to $76/bbl and a rig count above 1,050, fundamentals are strong and have powered OCTG consumption growth in North America throughout 2017 and throughout the first nine months of 2018. The demand for OCTG pipe has remained solid, sustained by more wells per rig and longer laterals, despite short-term takeaway concerns in the Permian basin. The high buildup of inventories during 2Q 2018, ahead of the implementation of Section 232, resulted in a gradual slowdown during 3Q 2018. As of today, we have observed a decrease in excess inventory and an increase in demand for certain types of pipe.
- 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.

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