



Financial Presentation

1Q 2019 IFRS Results

May 20, 2019



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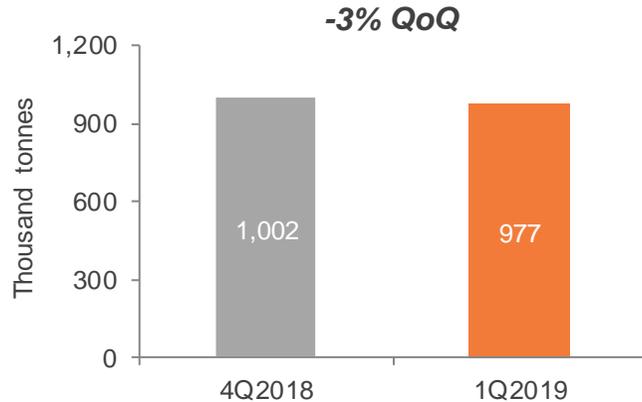


1Q 2019 Summary Financial Results and Market Update

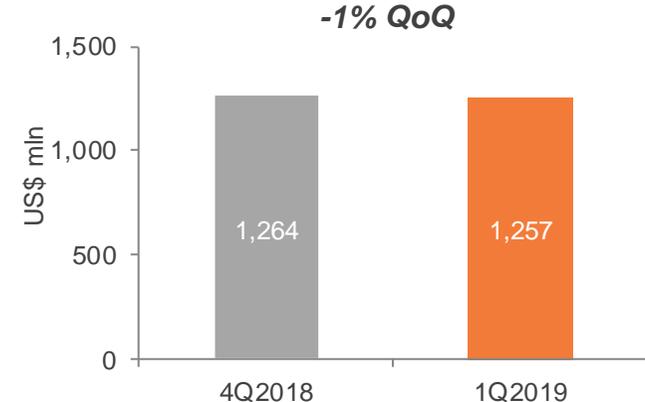


1Q 2019 vs. 4Q 2018 Summary Financial Highlights

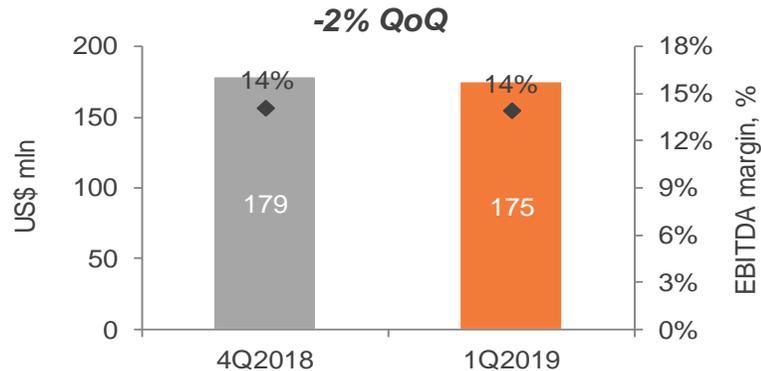
Sales declined QoQ, mainly due to lower sales at the American division



Revenue was down QoQ, mainly due to a weaker performance at the American division



Adjusted EBITDA decreased QoQ, mainly due to a weaker performance at the American division



Net profit was positive, largely due to a FX gain recorded in 1Q 2019

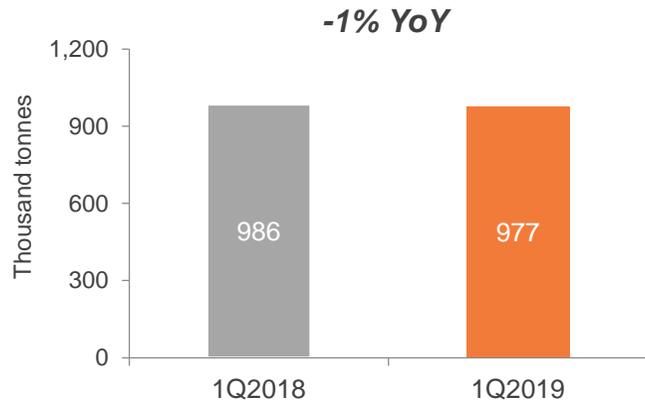


Source: TMK data

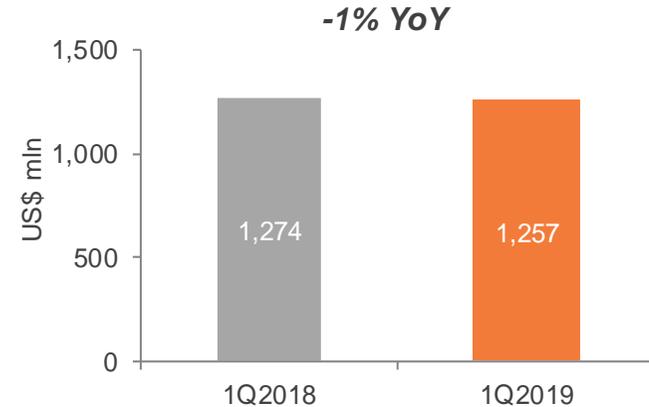


1Q 2019 vs. 1Q 2018 Summary Financial Highlights

Sales were slightly down YoY, due to lower sales at the American division



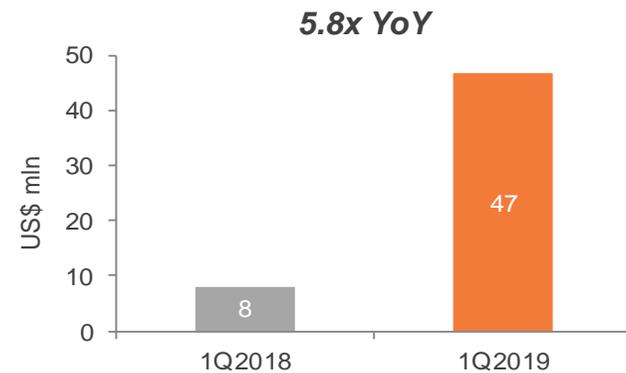
Revenue declined YoY, mainly due to lower revenue at the Russian division, impacted by a negative effect of currency translation



Adjusted EBITDA increased YoY, due to a stronger performance at the Russian division



Net profit increased YoY, due to an FX gain recorded in 1Q 2019

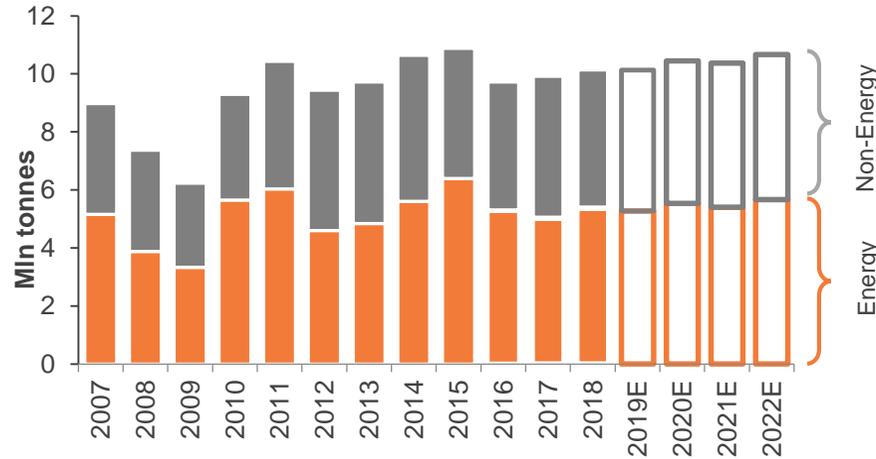


Source: TMK data



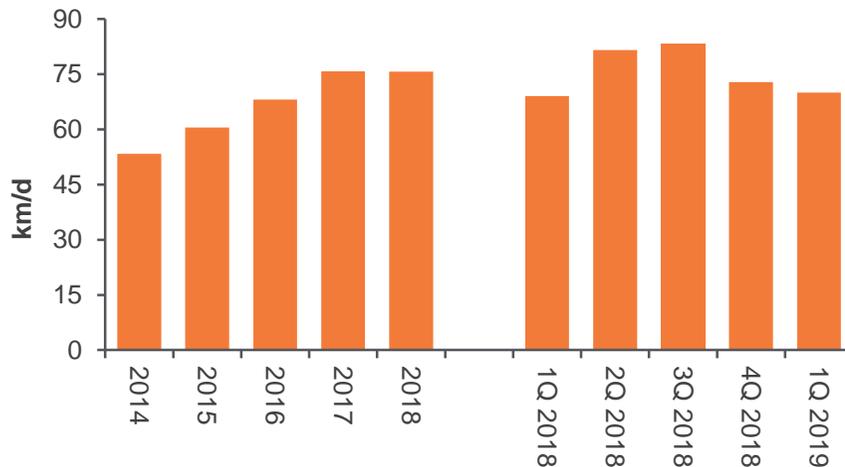
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains robust



Source: CDU TEK

Key considerations

1Q 2019 vs. 4Q 2018

- In 1Q 2019, the Russian pipe market was flat compared to the previous quarter. Higher demand for large diameter pipe fully compensated for lower demand for line pipe and a slightly weaker Russian OCTG market
- The OCTG market declined 2% quarter-on-quarter following more intensified pipe purchases by domestic oil and gas companies in 4Q 2018
- Drilling activity in 1Q 2019 seasonally slowed down, with the share of horizontal drilling remaining above 50%

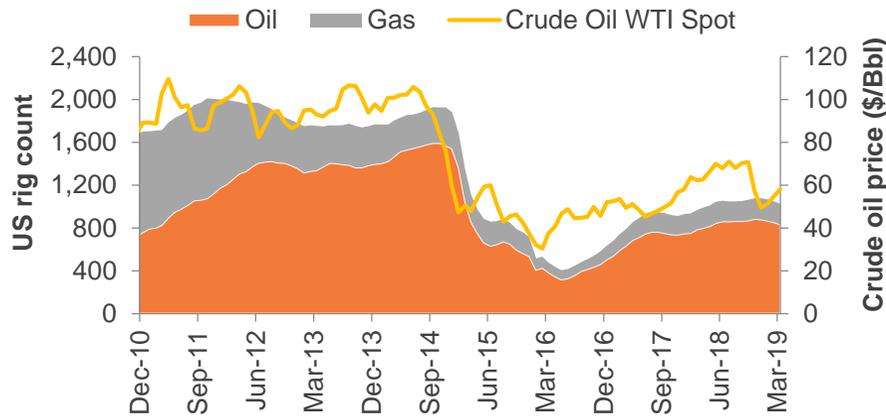
1Q 2019 vs. 1Q 2018

- The Russian pipe market declined 1% year-on-year, largely due to lower demand for line pipe, which was almost fully compensated by a notable increase in the Russian OCTG and large diameter pipe markets
- The total OCTG market increased 8% year-on-year, while seamless OCTG consumption was up 11%, supported by the increasing complexity of hydrocarbon production projects in Russia and a higher share of horizontal drilling (51% in 1Q 2019 vs 44% in 1Q 2018)



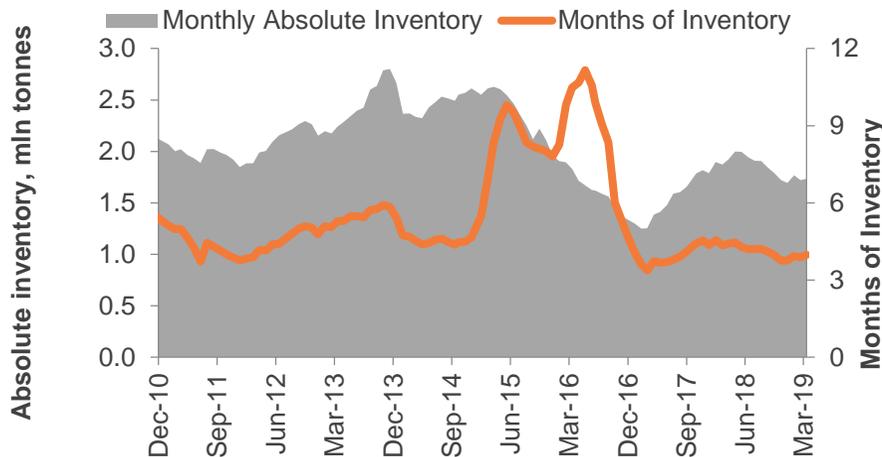
U.S. Market Overview

Rig count improved YoY



Source: Baker Hughes, EIA

OCTG inventories returned to normalized levels



Source: Preston Pipe & Tube Report, Company data

Key considerations

1Q 2019 vs. 4Q 2018

- In the U.S., OCTG consumption in 1Q 2019 was down 2% quarter-on-quarter following weaker oil prices in 4Q 2018 and a decline in drilling activity, with 27 fewer rigs compared to the previous quarter.
- Furthermore, in 1Q 2019, domestic pipe producers were affected by larger import pipe supplies as a result of the renewal of pipe shipment quotas under Section 232

1Q 2019 vs. 1Q 2018

- In the U.S., the average rig count increased 8% year-on-year, according to Baker Hughes, driving higher demand for OCTG pipe, with OCTG consumption growing 4% year-on-year.

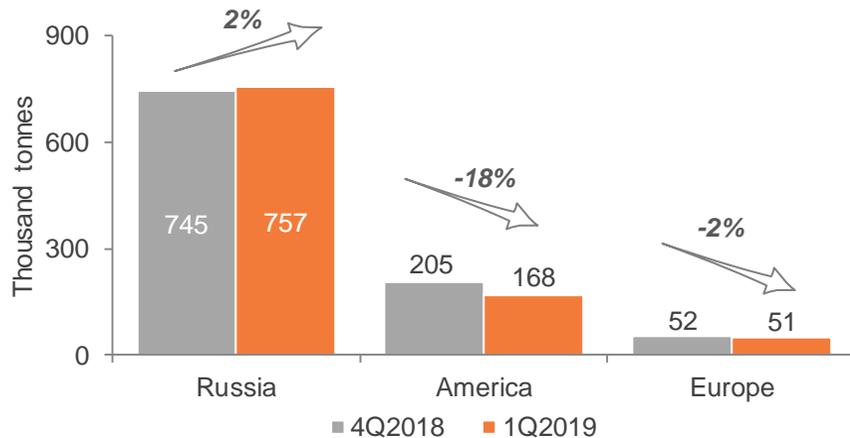


1Q 2019 vs. 4Q 2018 Results



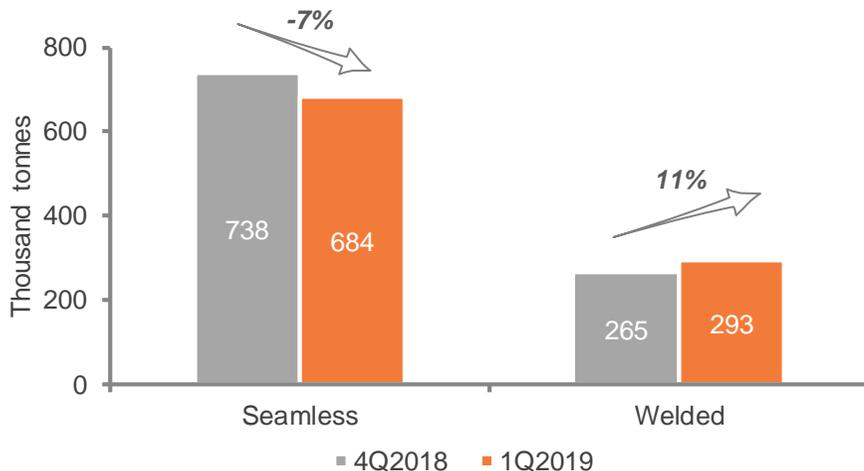
1Q 2019 vs. 4Q 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased QoQ, mainly driven by higher LDP sales
- American division sales decreased QoQ, mainly as a result of lower OCTG sales, due to the temporary slowdown in the North American market and an impact of larger import pipe supplies on domestic pipe producers
- European division sales were almost flat QoQ

Sales by product group



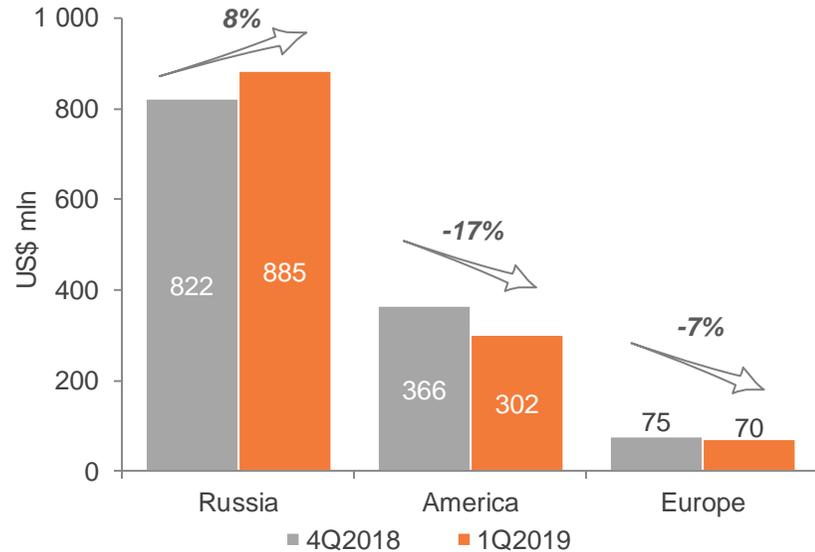
- Seamless pipe sales decreased QoQ, due to lower seamless pipe at the American division
- Welded pipe sales increased QoQ, mainly due to higher LDP sales at the Russian division
- Total OCTG sales declined 7% QoQ, due to lower OCTG sales at the American division, due to the temporary slowdown in the North American market and the impact of larger import pipe supplies on domestic pipe producers

Source: TMK data

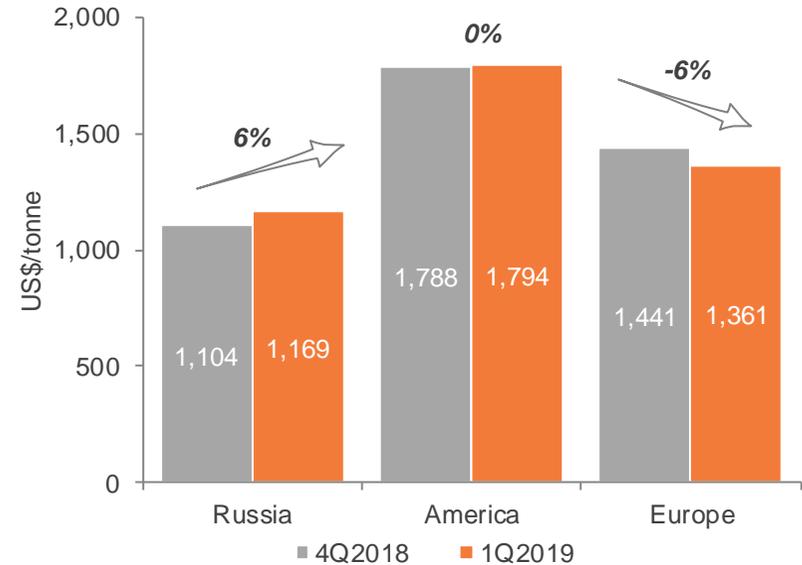


1Q 2019 vs. 4Q 2018 Revenue by Division

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

- Revenue at the Russian division grew QoQ, driven by better pricing and higher sales of large diameter pipe
- Revenue at the American division was affected by weaker OCTG sales
- Revenue at the European division decreased QoQ, impacted by flat sales, reflecting some slowdown in market demand as a result of higher inventories accumulated by consumers in the last quarters of 2018, and pricing pressure

- Russian division revenue per tonne was up QoQ, due to better pricing
- American division revenue per tonne was almost flat QoQ
- European division revenue per tonne decreased QoQ, due to pricing pressure

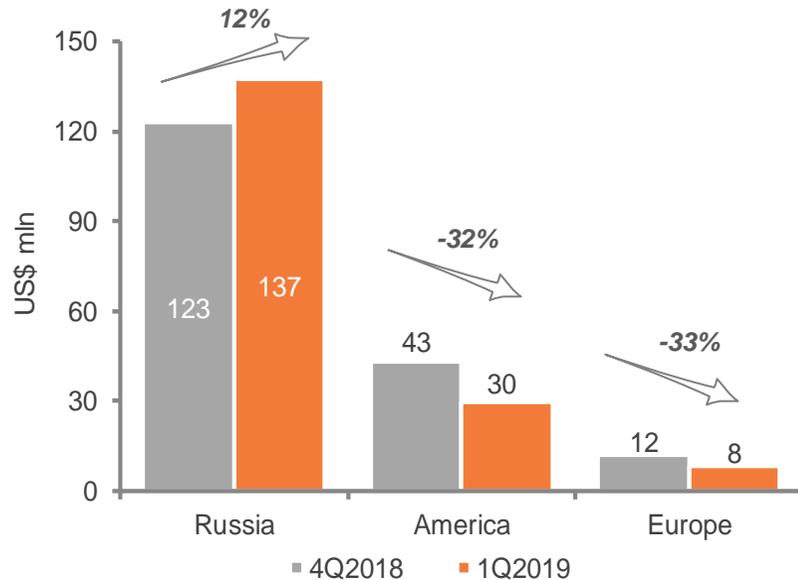
Source: Consolidated IFRS financial statements, TMK data

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.



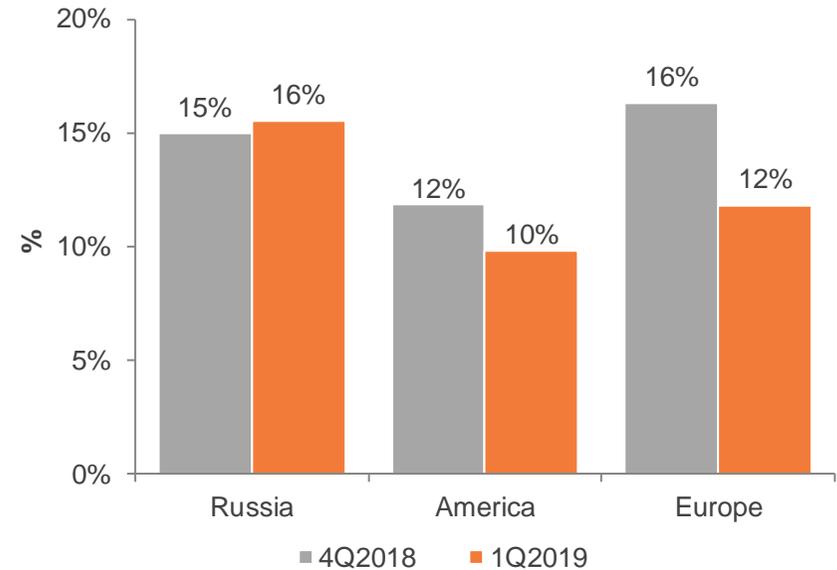
1Q 2019 vs. 4Q 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA increased QoQ, supported by a better sales mix in the seamless segment and lower raw material prices. The positive result was partially offset by higher selling, administrative and other operational expenses
- American division Adjusted EBITDA decreased QoQ, reflecting lower OCTG sales and higher selling, administrative and other operational expenses
- European division Adjusted EBITDA decreased QoQ, impacted by flat sales and pricing pressure

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased 1 p.p. QoQ, reflecting a better sales mix in the seamless segment and lower raw material prices
- American division Adjusted EBITDA margin declined QoQ, impacted by lower OCTG sales and higher SG&A
- European division Adjusted EBITDA margin declined QoQ, impacted by flat sales and pricing pressure

Source: Consolidated IFRS financial statements, TMK data

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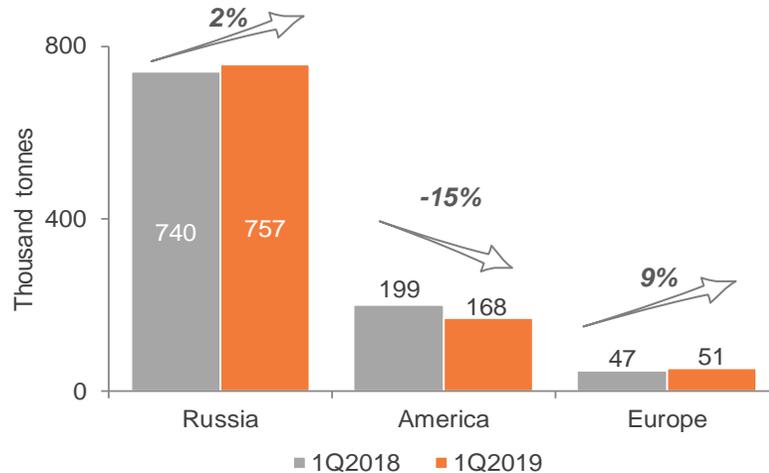


1Q 2019 vs. 1Q 2018 Results



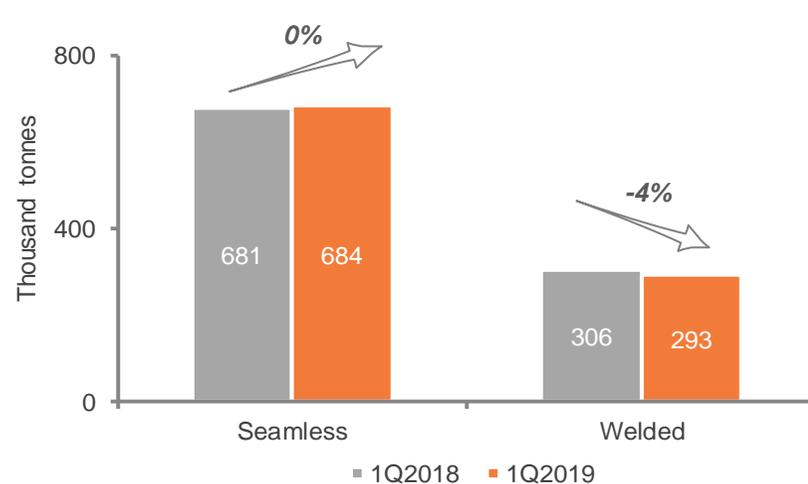
1Q 2019 vs. 1Q 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven mainly by higher seamless OCTG and LDP sales
- Sales volumes at the American division decreased YoY
- European division sales increased due to slight improvement in the European market, with higher demand for seamless pipe from domestic customers, increased capacity utilization and a better pricing environment

Sales by product group



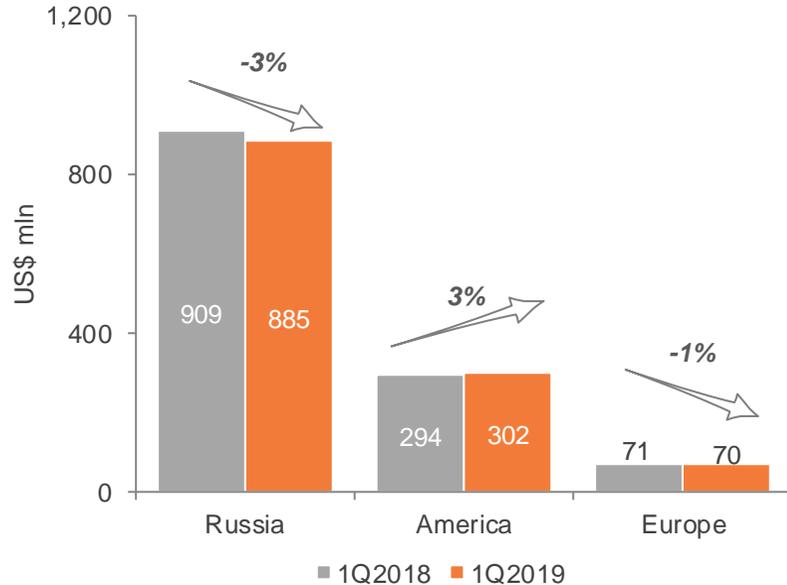
- Seamless pipe volumes were flat YoY, as stronger seamless OCTG sales at the Russian division and seamless industrial pipe sales at the European division were almost entirely offset by weaker OCTG sales at the American division
- Welded pipe sales decreased YoY, reflecting a decline in sales of welded line and industrial pipe at the American division, which was partially compensated by higher LDP sales at the Russian division
- Total OCTG sales increased 8% YoY, driven by a notable increase of seamless OCTG sales at the Russian division

Source: TMK data

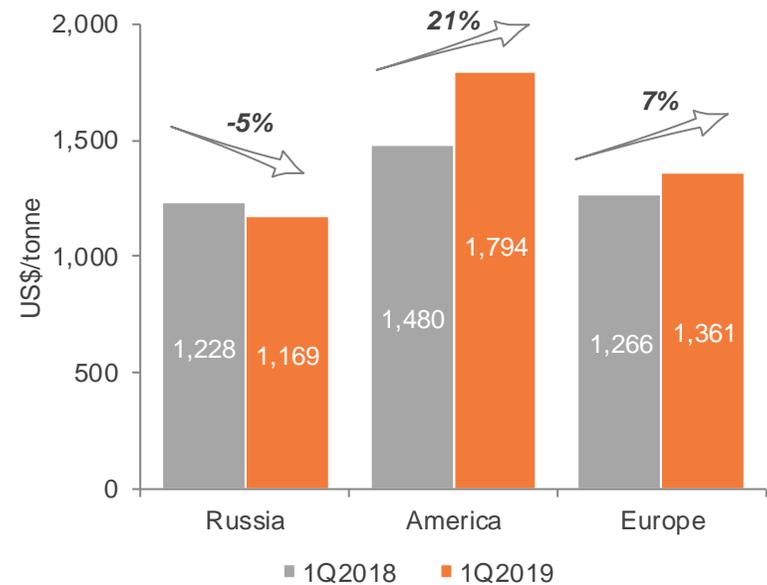


1Q 2019 vs. 1Q 2018 Revenue by Division

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

- Revenue at the Russian division decreased YoY, as the increase in sales and better pricing were fully offset by the negative impact of currency translation
- Revenue at the American division increased YoY, mainly driven by stronger pricing for both seamless and welded pipe compared to 1Q 2018
- Revenue at the European division declined YoY, as the increase in revenue, due to higher sales and an improved product mix, was fully offset by the negative effect of currency translation

- Russian division revenue per tonne declined YoY, mainly due to the negative effect of currency translation
- American division revenue per tonne grew YoY as a result of stronger pricing
- European division revenue per tonne improved YoY, due to a better product mix

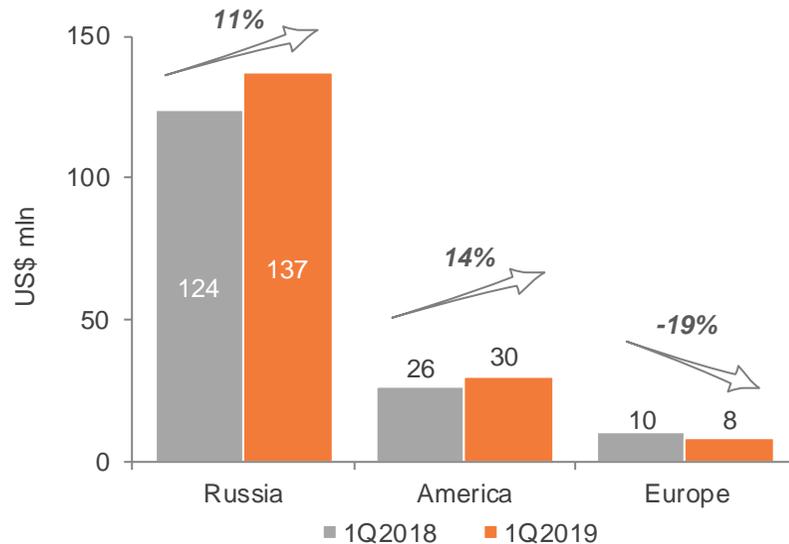
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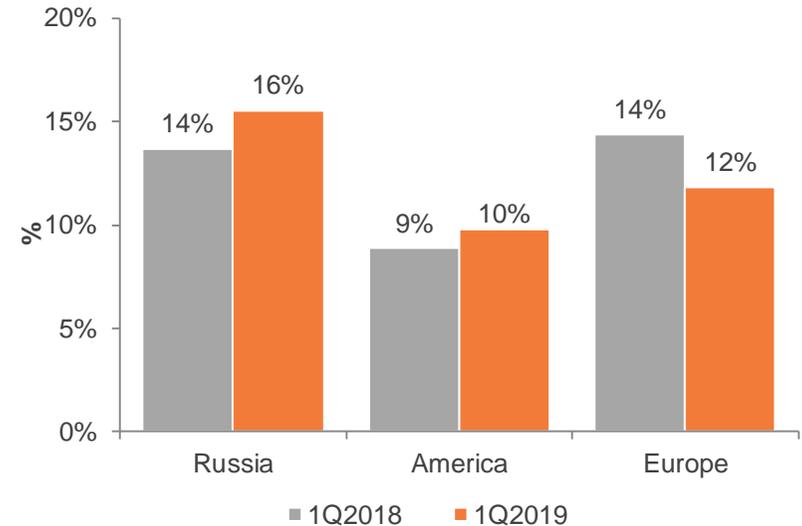


1Q 2019 vs. 1Q 2018 Adjusted EBITDA by Division

Adjusted EBITDA



Adjusted EBITDA margin



- Adjusted EBITDA in the Russian division increased YoY, supported by an improved product mix with a higher share of OCTG and large diameter pipe and lower selling, administrative and other operational expenses
- American division Adjusted EBITDA increased YoY, supported by an improved product mix towards OCTG sales
- European division Adjusted EBITDA declined YoY, due to an increase in selling and distribution expenses relating to the introduction of an import duty on certain steel products in the U.S. under Section 232
- Russian division Adjusted EBITDA margin increased YoY as a result of an improved product mix with a higher share of OCTG and large diameter pipe
- American division Adjusted EBITDA margin was up YoY, supported by an improved product mix towards OCTG sales
- European division Adjusted EBITDA margin declined YoY, negatively impacted by an increase in selling and distribution expenses. This fully offset the positive effect of a favourable pricing environment and a notable improvement in the product mix towards higher value-added products

Source: Consolidated IFRS financial statements, TMK data

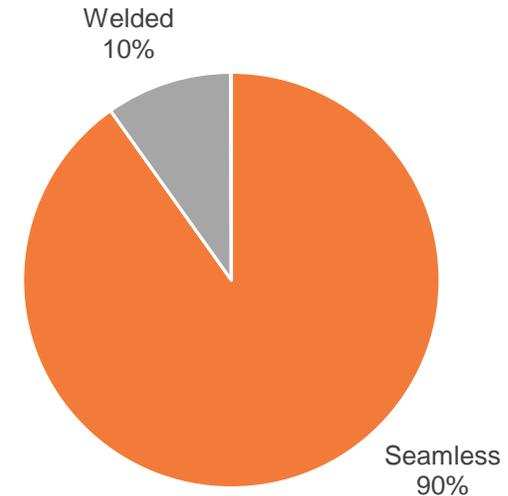
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Seamless – Core to Profitability

	US\$ mln <i>(unless stated otherwise)</i>	1Q2019	QoQ, %	YoY, %
SEAMLESS	Sales - Pipes, kt	684	-7%	0%
	Revenue	898	-5%	2%
	Gross profit	212	-4%	8%
	<i>Margin, %</i>	<i>24%</i>		
	Avg revenue/tonne (US\$)	1,313	2%	1%
	Avg gross profit/tonne (US\$)	311	4%	7%
WELDED	Sales - Pipes, kt	293	11%	-4%
	Revenue	307	15%	-3%
	Gross profit	23	347%	66%
	<i>Margin, %</i>	<i>8%</i>		
	Avg revenue/tonne (US\$)	1,048	4%	1%
	Avg gross profit/tonne (US\$)	79	304%	74%

1Q 2019 gross profit breakdown



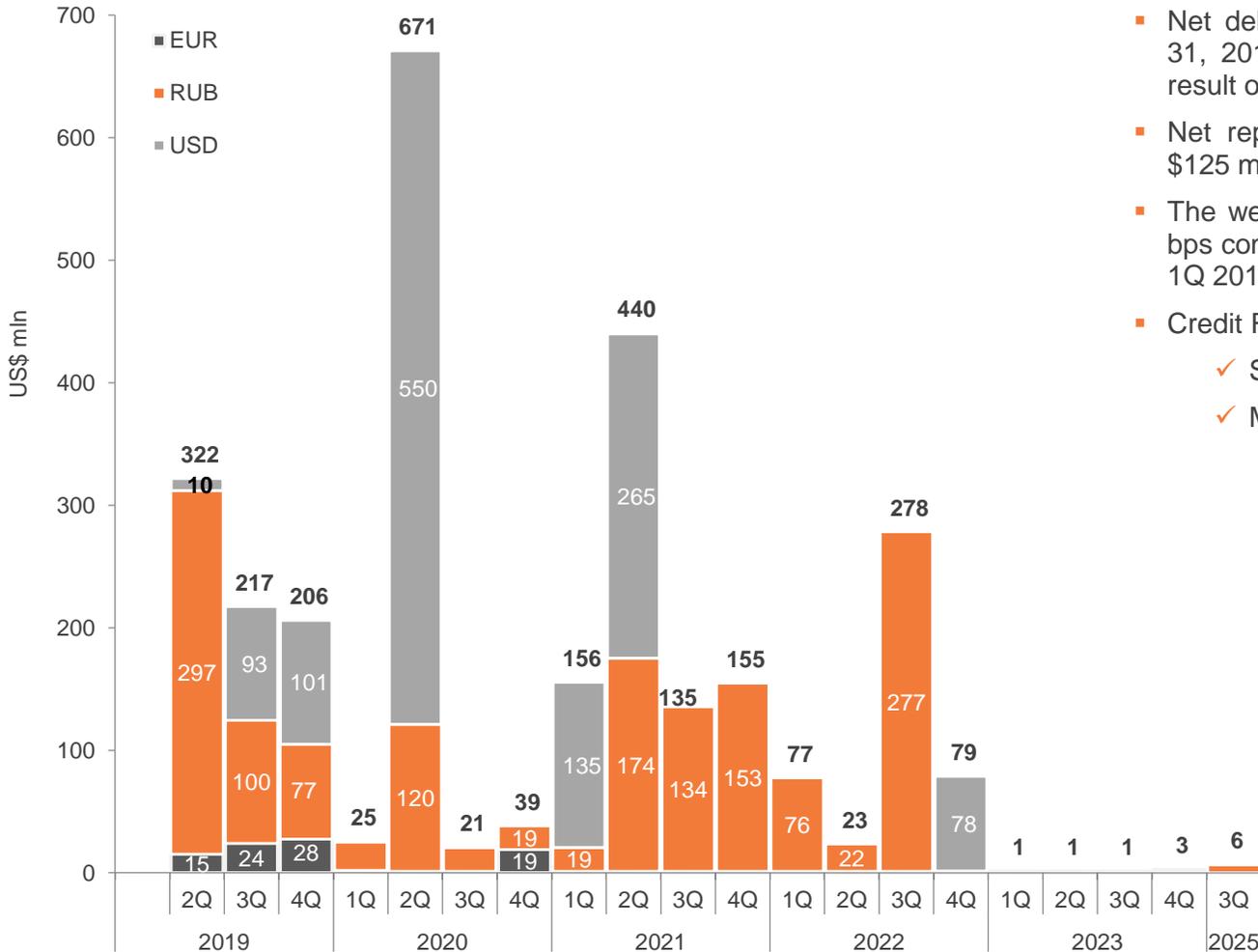
- Sales of seamless pipe generated 71% of total revenues in 1Q 2019
- Gross profit from seamless pipe sales represented 90% of 1Q 2019 total gross profit
- Gross profit margin from seamless pipe sales amounted to 24% in 1Q 2019

Source: Consolidated IFRS financial statements, TMK data

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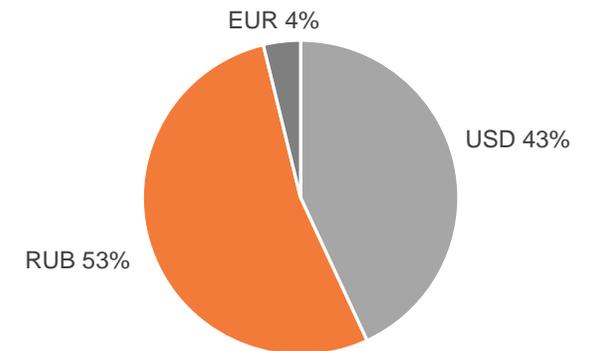


Debt Maturity Profile as at March 31, 2019



- Net debt increased from \$2,437 million as at December 31, 2018 to \$2,519 million as at March 31, 2019, as a result of rouble appreciation against the US dollar
- Net repayment of borrowings in 1Q 2019 amounted to \$125 million
- The weighted average nominal interest rate was up by 5 bps compared to the end of 2018 to 7.34% as at the end of 1Q 2019
- Credit Ratings confirmed:
 - ✓ 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

- In Russia, TMK expects pipe consumption by domestic oil and gas companies to remain strong in 2019. The increased complexity of hydrocarbon production projects in Russia is expected to drive higher demand for high tech products
- In 1Q 2019, the North American OCTG market experienced a temporary slowdown due to a weaker oil price and a declining rig count. An increase in pipe imports was driven by the renewal of pipe shipment quotas under Section 232 and due to lower OCTG consumption, this resulted in higher inventory levels
- In Europe, TMK expects to see sustained demand for seamless industrial pipe in 2019, with its sales mix including a higher share of high value-added products
- For the full-year 2019, TMK expects EBITDA at the Russian and European divisions to increase, supported by an increase in pipe shipments, with the EBITDA margin at these two divisions anticipated to be slightly above the full-year 2018 level.



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