



Financial Presentation

3Q / 9M 2019 IFRS Results

November 20, 2019



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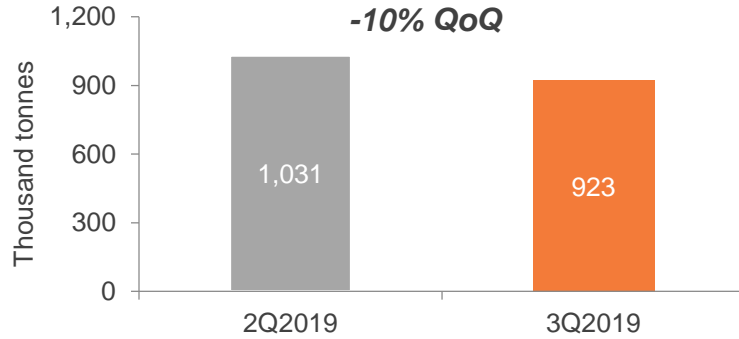


3Q / 9M 2019 Summary Financial Results and Market Update

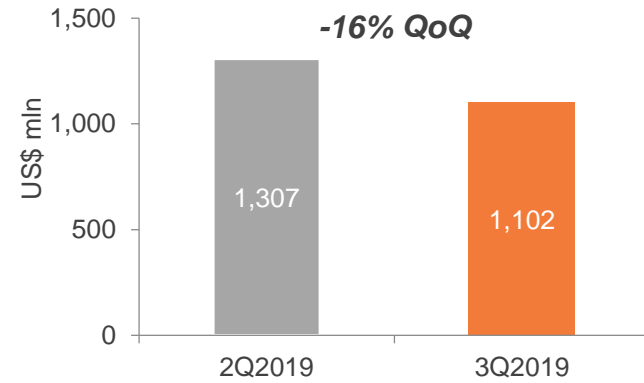


3Q 2019 vs.2Q 2019 Summary Financial Highlights

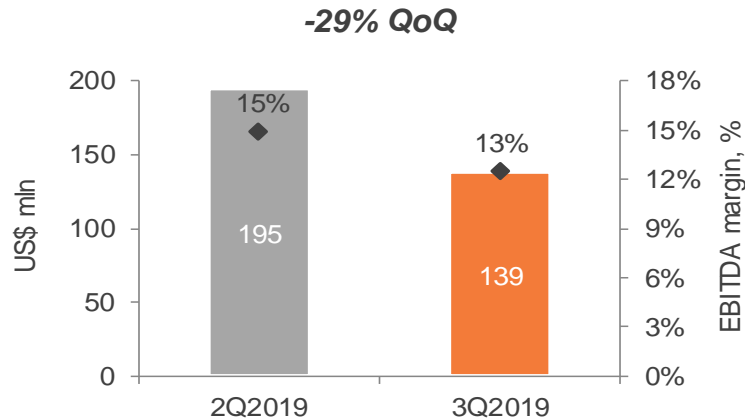
Sales declined QoQ across all divisions



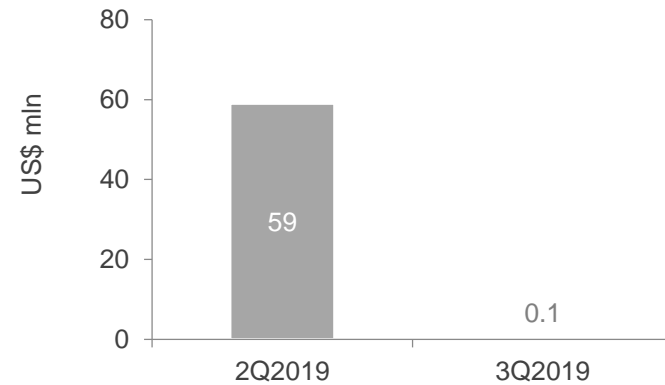
Revenue decreased QoQ, reflecting lower pipe sales across all divisions and unfavorable pricing environment at the American and European divisions



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



Net profit decreased YoY, due to lower revenue and FX loss, recorded in 3Q 2019

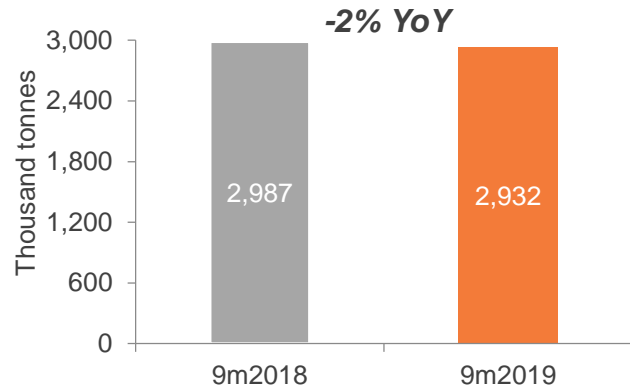


Source: TMK data

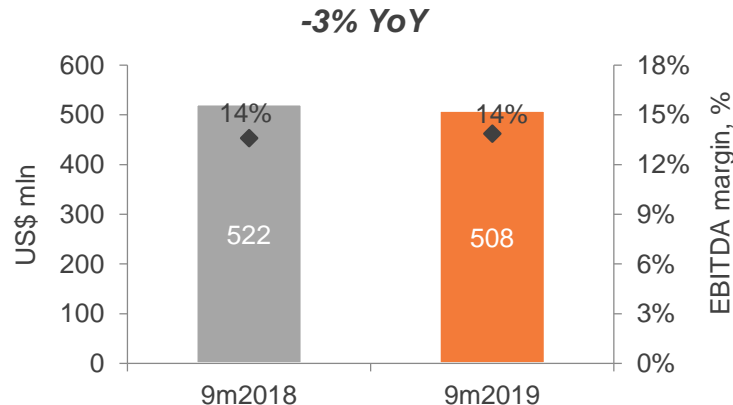


9M 2019 vs. 9M 2018 Summary Financial Highlights

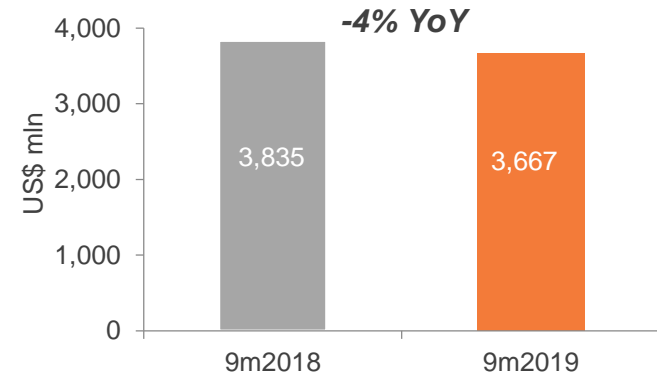
Sales declined YoY, mainly due to lower sales at the American and European divisions, which were partially offset by stronger sales at the Russian division



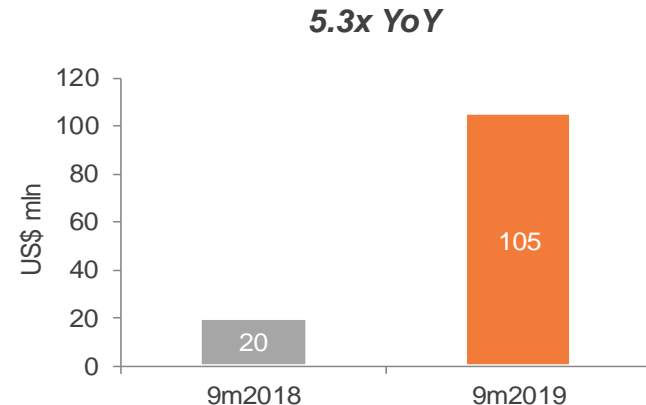
Adjusted EBITDA decreased YoY, due to lower EBITDA at the American and European divisions, which was partially offset by stronger performance at the Russian division



Revenue declined YoY, mainly due to a lower result at the American division. This was partially offset by higher revenue at the Russian division, despite a negative effect of currency translation



Net profit increased YoY, mainly due to a FX gain

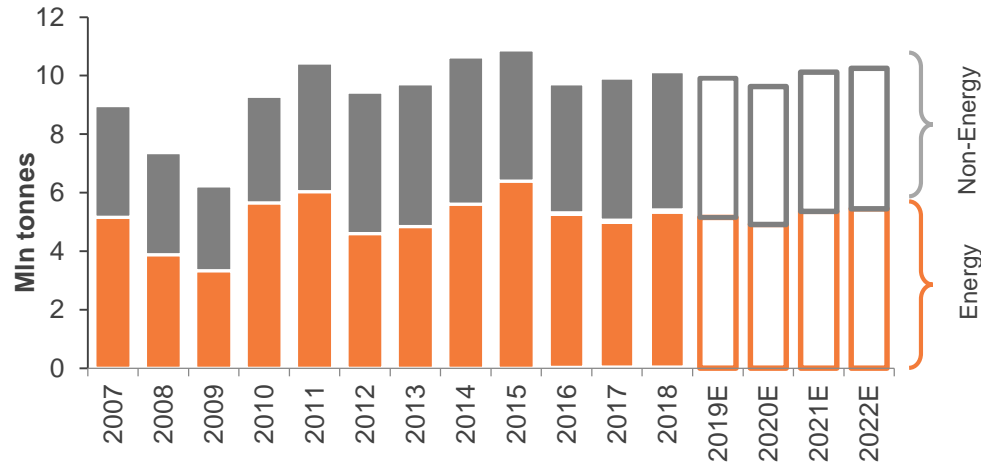


Source: TMK data



Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains robust



Source: CDU TEK

Key considerations

3Q 2019 vs. 2Q 2019

- The Russian pipe market declined 3% compared to the previous quarter. Higher demand for welded industrial pipe was offset by the Russian OCTG market declining 4% quarter-on-quarter following slower purchasing activity by the oil and gas companies due to the active drilling season
- The share of horizontal drilling remained the same at 53% in 3Q 2019 compared to 54% in 2Q 2019

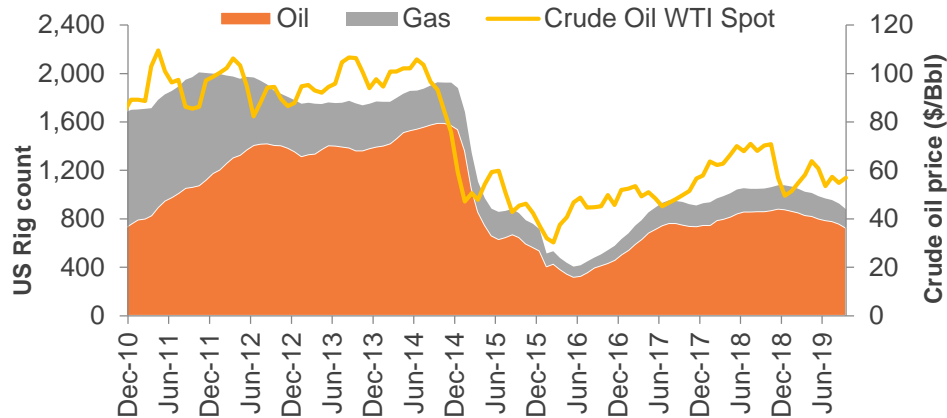
9M 2019 vs. 9M 2018

- In 9M 2019, the Russian pipe market grew 1% year-on-year
- The market growth was largely driven by higher demand for large diameter and stable demand for OCTG pipe, supported by the increasing complexity of hydrocarbon production projects in Russia and a higher share of horizontal drilling (up from 48% in 9M 2018 to 53% in 9M 2019)



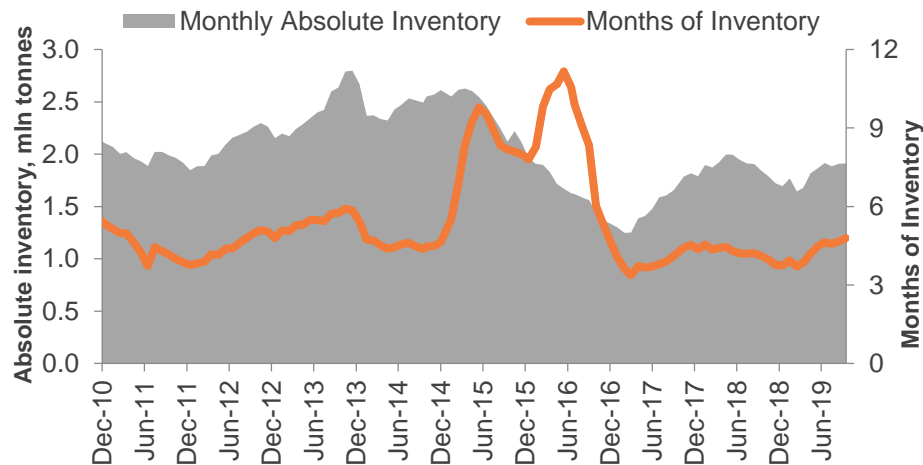
U.S. Market Overview

Rig count



Source: Baker Hughes, EIA

OCTG inventories



Source: Preston Pipe & Tube Report, Company data

Key considerations

3Q 2019 vs. 2Q 2019

- OCTG consumption in 3Q 2019 was weaker compared to 2Q 2019, due to a slowdown in drilling activity, with the average number of rigs decreasing 7% from the prior quarter, and operators focusing on capital discipline

9M 2019 vs. 9M 2018

- The OCTG market continued to see a slowdown in demand, impacted by oil price volatility, a weakening drilling activity and high pipe inventories

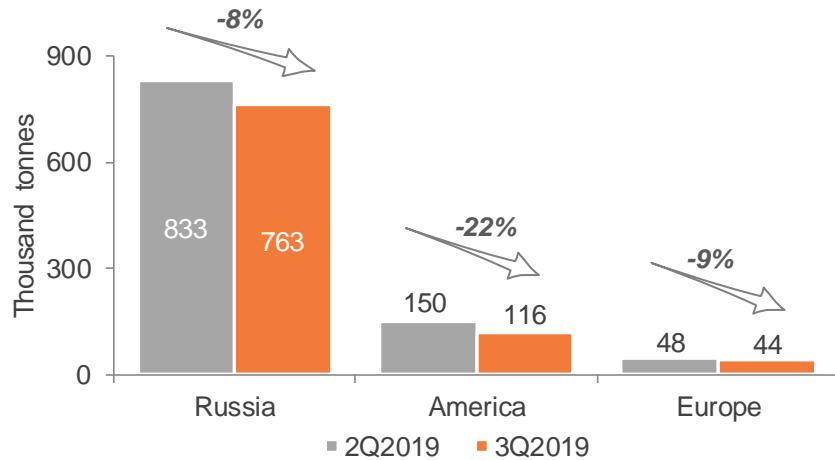


3Q 2019 vs. 2Q 2019 Results



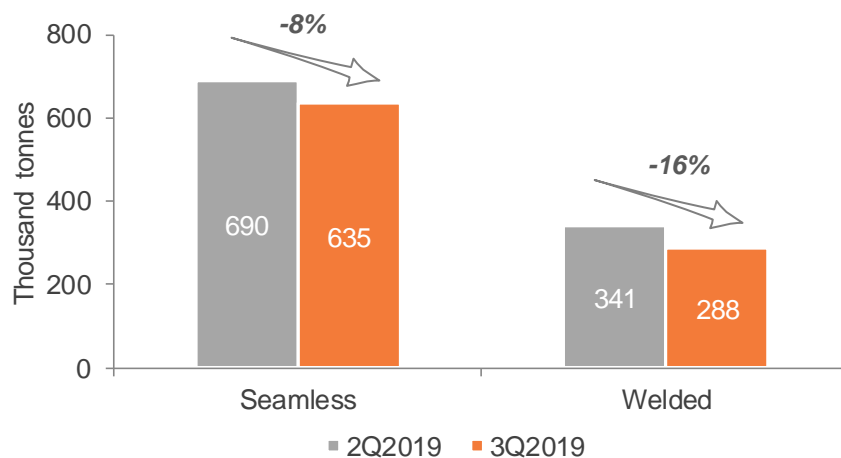
3Q 2019 vs. 2Q 2019 Sales by Division and Product Group

Sales by division



- Russian division sales decreased QoQ, due to pre-planned upgrade and maintenance works at the Russian division's key production facilities
- American division sales decreased QoQ, mainly due to weaker demand as a result of slowdown in drilling activity, with the average number of rigs decreasing 7% and operators focusing on capital discipline
- European division sales decreased QoQ, impacted by some slowdown in demand resulting from an unstable economic environment and a seasonal slowdown of activities in the European market

Sales by product group



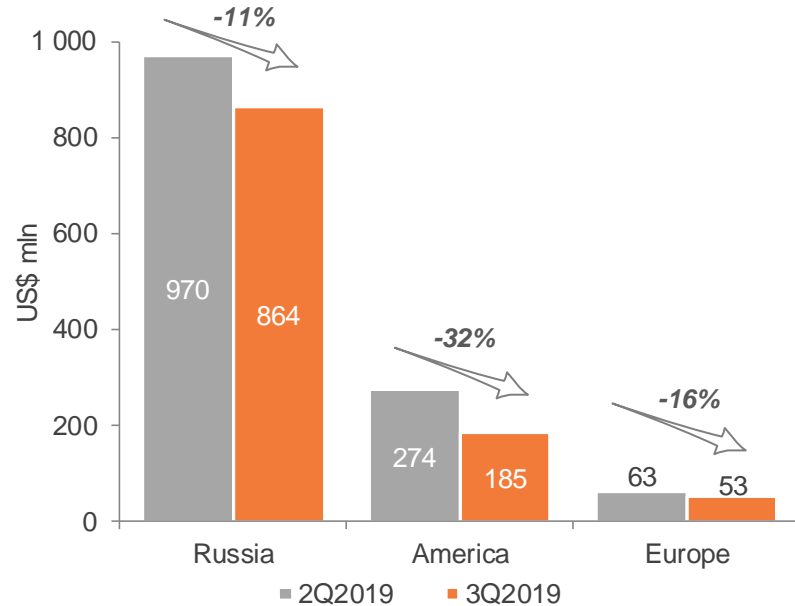
- Seamless pipe sales decreased QoQ, due to lower seamless pipe across all divisions, impacted mainly by the pre-planned upgrade and maintenance works at the Russian division's key production facilities
- Welded pipe sales declined QoQ, mainly due to lower sales at the American division and lower sales of LP and industrial pipe at the Russian division
- Total OCTG sales declined 14% QoQ, due to lower sales at both the Russian and American divisions

Source: TMK data



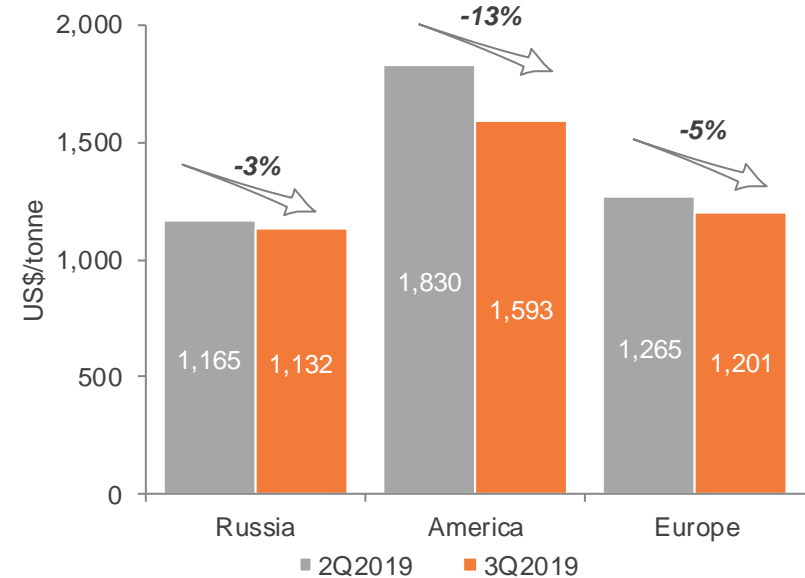
3Q 2019 vs. 2Q 2019 Revenue by Division

Revenue



- Russian division revenue decreased QoQ, due to pre-planned upgrade and maintenance works at the Russian division's key production facilities, resulting in lower quarter-on-quarter sales
- Weaker revenue at the American division was mainly a result of lower OCTG and line pipe sales as well as an unfavorable pricing environment
- European division revenue decreased QoQ, impacted by lower sales due to a seasonal slowdown of activities in the European market and an unfavourable pricing environment

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 decreased slightly QoQ due to a change in product mix with lower sales of OCTG
- American division revenue per tonne was lower QoQ, due to an unfavorable pricing environment
- European division revenue per tonne decreased QoQ, due to an unfavorable pricing environment

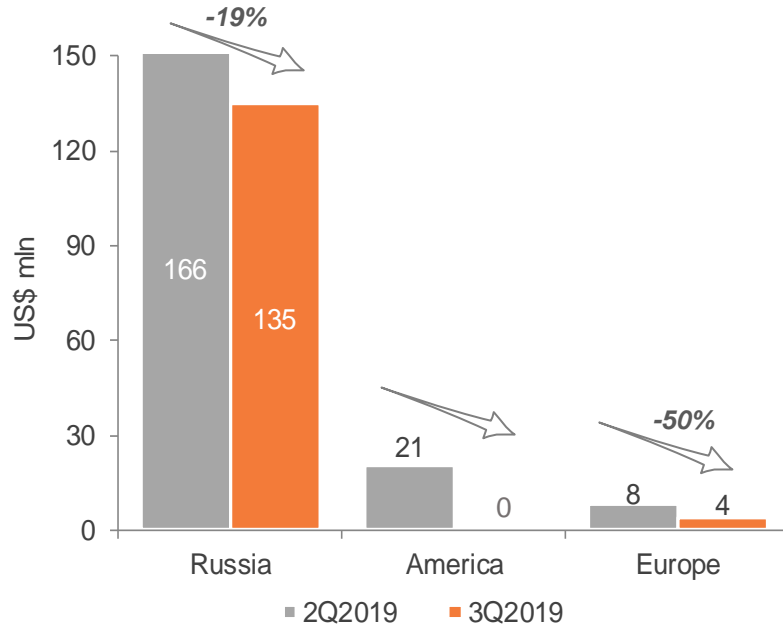
Source: Consolidated IFRS financial statements, TMK data

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.



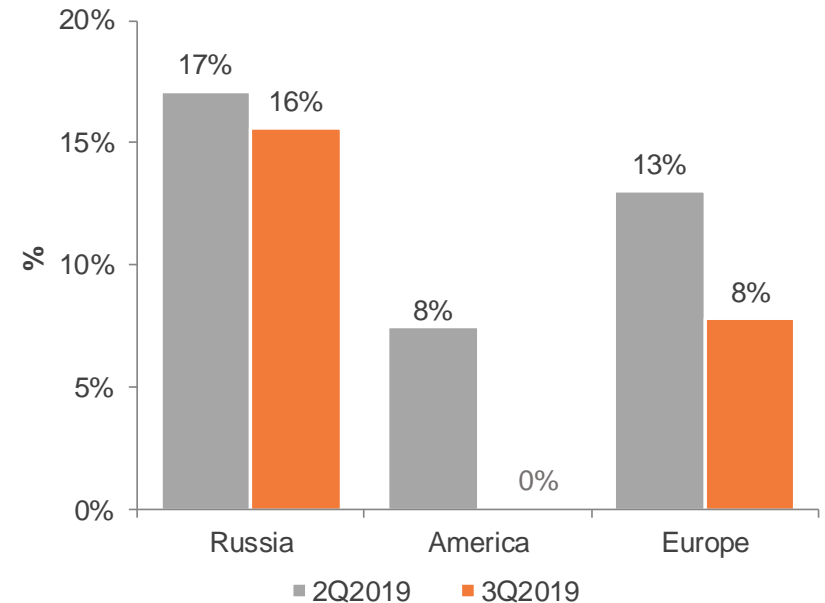
3Q 2019 vs. 2Q 2019 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA decreased QoQ, due to lower pipe sales and higher SG&A costs
- American division Adjusted EBITDA decreased QoQ, due to lower pipe sales and an unfavorable pricing environment
- European division Adjusted EBITDA decreased QoQ, due to lower pipe sales and an unfavorable pricing environment

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin decreased by 1 p.p. QoQ, reflecting a lower share of OCTG pipe in the sales mix
- American division Adjusted EBITDA margin declined QoQ
- European division Adjusted EBITDA margin declined QoQ

Source: Consolidated IFRS financial statements, TMK data

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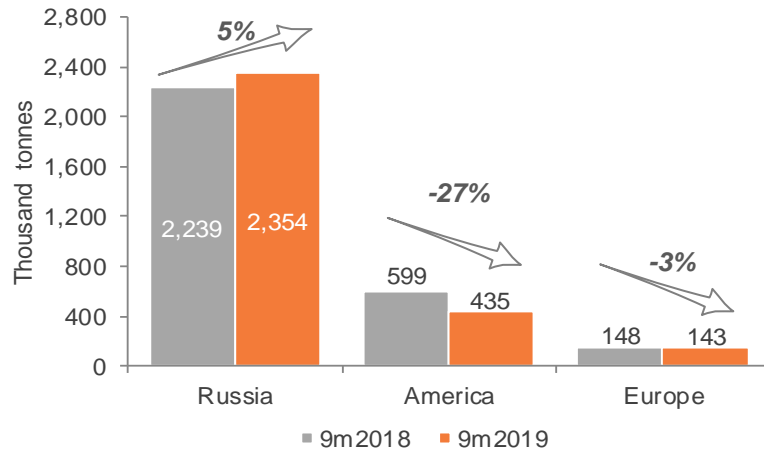


9M 2019 vs. 9M 2018 Results



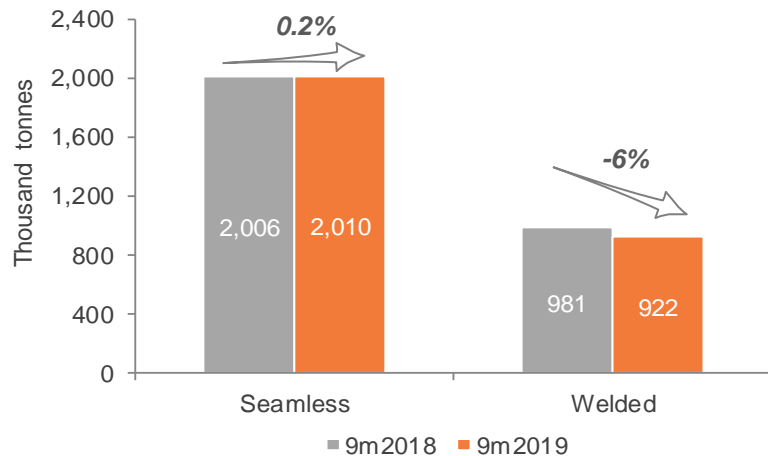
9M 2019 vs. 9M 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven by higher sales of large diameter and seamless OCTG pipe
- Sales volumes at the American division decreased YoY due to lower sales of both welded and seamless OCTG pipe as a result of a slowdown in drilling activity and operators focusing on capital discipline
- European division sales decreased YoY, mainly due to weaker market demand

Sales by product group



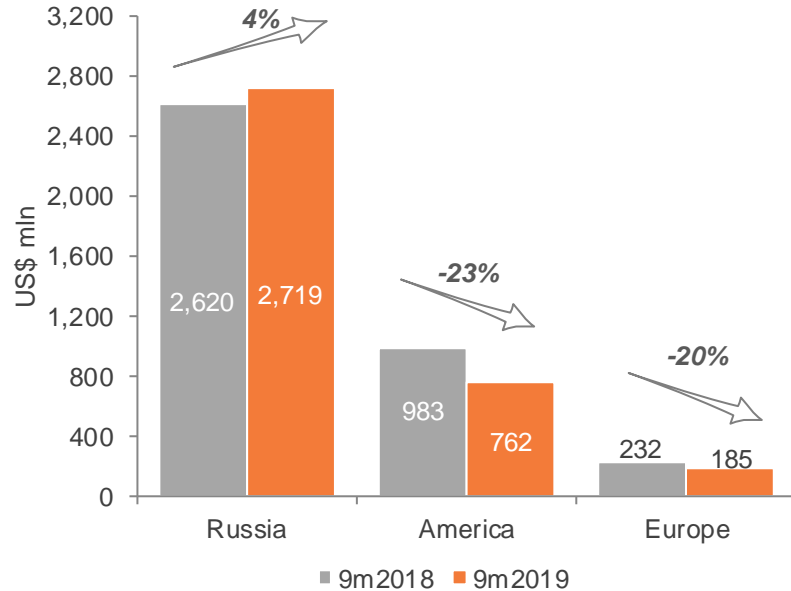
- Seamless pipe volumes increased slightly YoY, as lower sales at the American and European divisions were fully offset by strong sales at the Russian division
- Welded pipe sales decreased YoY, as higher sales at the Russian division, including higher sales of large diameter pipe, were offset by weaker sales at the American division
- Total OCTG sales decreased 2% YoY, as higher sales at the Russian division were offset by weaker sales at the American division as a result of a slowdown in drilling activity and operators focusing on capital discipline

Source: TMK data



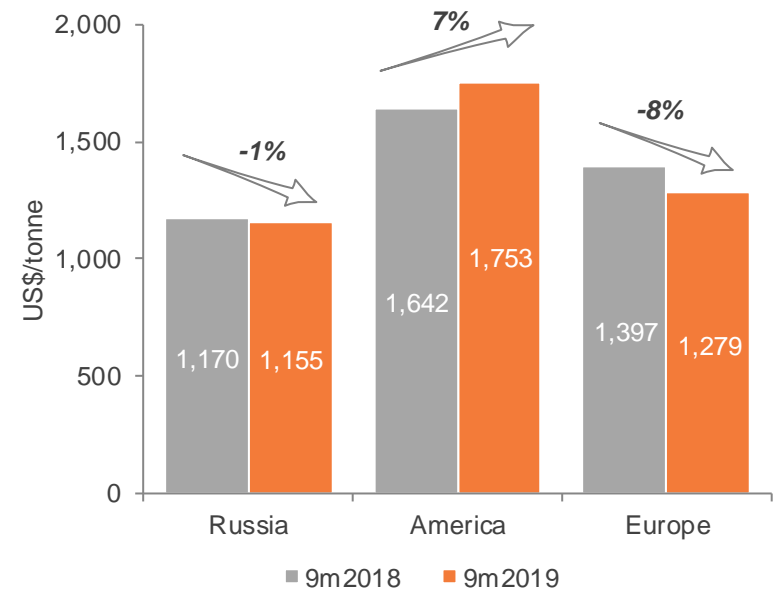
9M 2019 vs. 9M 2018 Revenue by Division

Revenue



- Revenue at the Russian division increased YoY, mainly due to stronger sales and a better pricing. This was partially offset by a negative effect of currency translation
- Revenue at the American division declined YoY, due to lower sales
- Revenue at the European division declined YoY, mainly due to lower sales and a negative effect of currency translation

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 decreased slightly YoY
- American division revenue per tonne increased YoY, due to a higher share of seamless pipe in the sales mix
- European division revenue per tonne declined YoY, due to a negative effect of currency translation and an unfavourable pricing environment

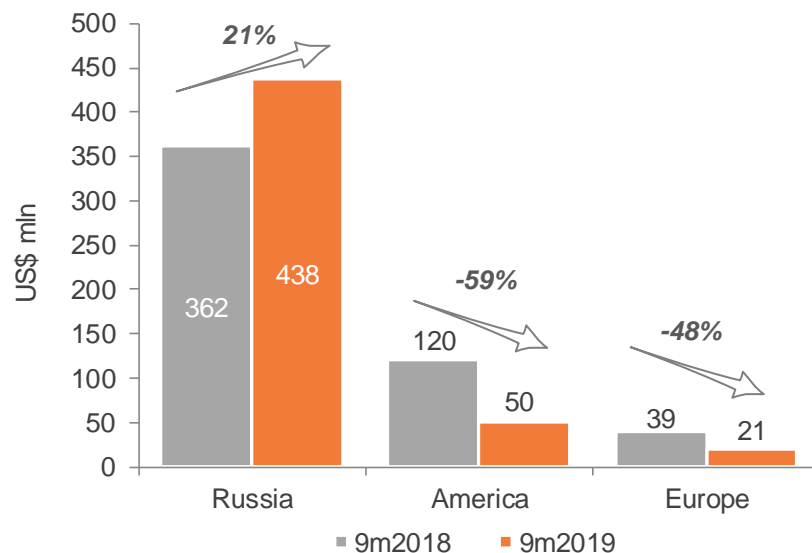
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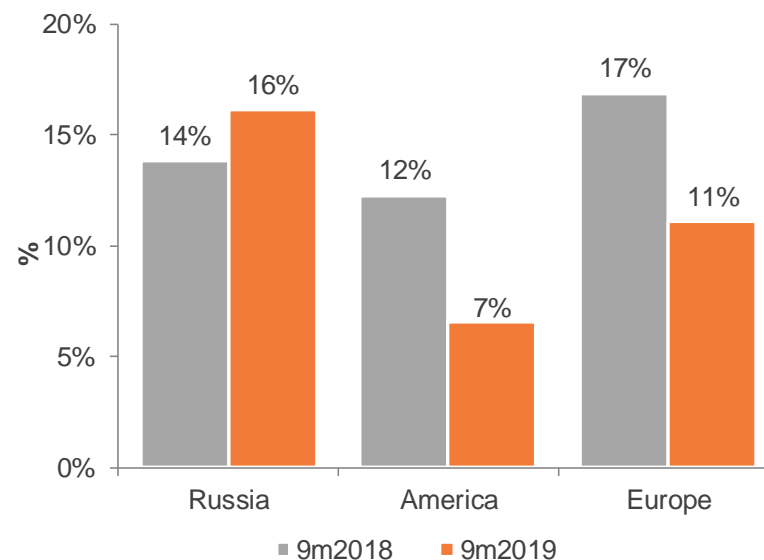
9M 2019 vs. 9M 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Adjusted EBITDA in the Russian division increased YoY, driven by stronger sales of seamless OCTG and large diameter pipe
- American division Adjusted EBITDA declined YoY, due to lower sales, which was partially compensated by lower SG&A costs
- European division Adjusted EBITDA declined YoY, mainly due to lower sales and a negative impact of currency translation

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased YoY, reflecting an improved sales mix towards a higher share of seamless OCTG and LD pipe
- American division Adjusted EBITDA margin was down YoY, due to a slowdown in the North American market and weaker pricing
- European division Adjusted EBITDA margin declined YoY, due to an unfavourable pricing environment

Source: Consolidated IFRS financial statements, TMK data

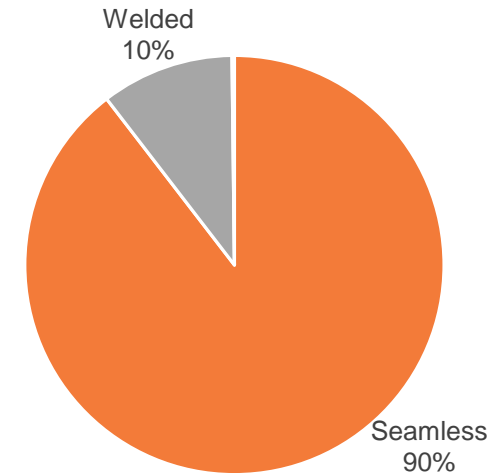
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Seamless – Core to Profitability

	US\$ mln <i>(unless stated otherwise)</i>	3Q2019	QoQ, %	9m2019	YoY, %
SEAMLESS	Sales - Pipes, kt	635	-8%	2,010	0%
	Revenue	802	-12%	2,606	0%
	Gross profit	202	-7%	631	5%
	Margin, %	25%		24%	
	Avg revenue/tonne (US\$)	1,262	-4%	1,297	0%
	Avg gross profit/tonne (US\$)	318	1%	314	5%
WELDED	Sales - Pipes, kt	288	-16%	922	-6%
	Revenue	269	-23%	926	-8%
	Gross profit	18	-44%	72	15%
	Margin, %	7%		8%	
	Avg revenue/tonne (US\$)	935	-9%	1,005	-2%
	Avg gross profit/tonne (US\$)	61	-34%	78	23%

9M 2019 gross profit breakdown



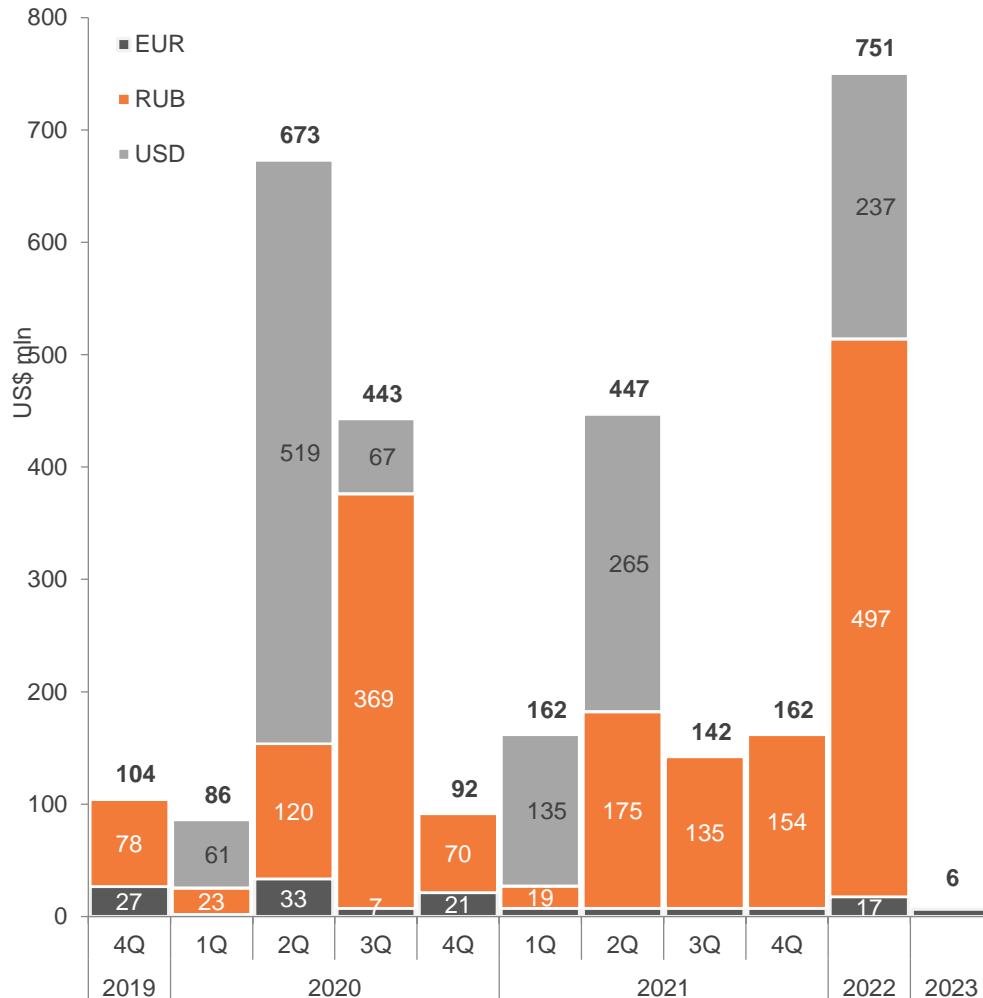
- Sales of seamless pipe generated 71% of total revenues in 9M 2019
- Gross profit from seamless pipe sales represented 90% of 9M 2019 total gross profit
- Gross profit margin from seamless pipe sales amounted to 24% in 9M 2019

Source: Consolidated IFRS financial statements, TMK data

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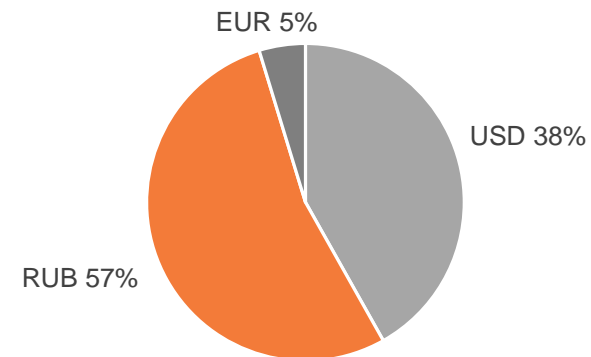


Debt Maturity Profile as at September 30, 2019



- Net debt increased from \$2,437 million as at December 31, 2018 to \$2,671 million as at September 30, 2019
- The weighted average nominal interest rate was down by 8 bps compared to the end of 2018 to 7.21% as at the end of 3Q 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

- In Russia, TMK expects pipe consumption by domestic oil and gas companies to remain stable in 2019. The increased complexity of hydrocarbon production projects in Russia is expected to result in increased demand for high tech products. TMK anticipates EBITDA at the Russian division to increase for the full-year 2019, supported by an increase in pipe shipments, with the EBITDA margin to be slightly above the level of full-year 2018.
- In North America, the market situation is most likely to remain challenging due to the oil, gas and steel price volatility, a slowdown in drilling activity and operators focusing on capital discipline – all of which resulting in lower pipe demand and pressure on prices.
- In Europe, a challenging market environment and pricing pressure are most likely to remain until the end of the year. This could put pressure on seamless industrial pipe shipments at the European division in the fourth quarter.



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