March 01, 2019 **PRESS RELEASE**

TMK Announces FY 2018 and 4Q 2018 IFRS Results

Inside information: This announcement does not contain inside information.

Forward-looking statements: The following contains forward-looking statements concerning future events. These statements are based on current information and assumptions of TMK management concerning known and unknown risks and uncertainties.

PAO TMK ("TMK" or "the Group"), one of the world's leading producers of tubular products for the oil and gas industry, today announces its audited consolidated IFRS financial results for the year ended December 31, 2018.

FY 2018 and 4Q 2018 Highlights

Financial

- FY Revenue up 16% y-o-y at $5,099m, 4Q Revenue up 5% q-o-q at $1,264m
- FY Adjusted EBITDA up 16% y-o-y at $700m, 4Q Adjusted EBITDA up 9% q-o-q at $179m
- Adjusted EBITDA margin at 14% for FY 2018 and 14% in 4Q 2018
- Net debt at $2,437m as at December 31, 2018
- Net debt/EBITDA ratio decreased from 4.44x as at December 31, 2017 to 3.48x as at December 31, 2018

Major Developments in 4Q 2018

- In December, TMK shipped to Sakhalin Energy a first batch of casing pipes with TMK UP PF premium connections produced at Volzhsky Pipe Plant, which is increasingly focused on supplying pipes for offshore projects. The pipe column was successfully launched from the Molikpak platform at the Piltun-Astokhskoye field in the Sea of Okhotsk.

  This delivery was part of a long-term premium OCTG supply contract to 2022 signed by the parties in October 2017, and represents the first industrial use of OCTG pipes with premium threaded connections supplied by a Russian producer on an offshore field on the Sakhalin shelf.

Outlook

In Russia, TMK expects pipe consumption by domestic oil and gas companies to remain strong in 2019 with higher demand for high tech products driven by the increased complexity of hydrocarbon production projects.

In the U.S., the rig count continued to grow in 2018 driving higher demand for OCTG pipe. Consumption in the North American pipe market remained flat in 4Q 2018, reflecting marginally higher drilling activity in the United States, as operators took a wait-and-see approach to falling oil prices. As of the end of 2018, inventories returned to normalized levels.

In Europe, it is expected that TMK sustains demand for seamless industrial pipe in 2019. The division's sales mix is estimated to include a higher share of high value-added products.

Overall, TMK anticipates higher EBITDA for FY 2019 supported by further improvements across all three divisions, with its EBITDA margin being slightly above the level of full-year 2018.

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Alexander Shiryaev, CEO of TMK, said:

"2018 was the first year of implementation of the Company's new strategy. During the year, TMK maintained its position as one of the leading suppliers to the global OCTG market and a dominant supplier to the Russian oil and gas market. We continued to develop customer relationships by expanding our offering of high tech products and services and continuing to implement strategic partnerships with major oil and gas companies to collaborate on the development of breakthrough technology and services. In 2018, TMK made important steps towards the digital transformation of its business, as believes that it is crucial to remain innovative and at the cutting-edge of oil and gas technology to support the changing needs of our major customers in the global energy sector.

Despite challenges on the key markets in 2018, TMK maintained its strong performance and achieved further growth with a 16% increase in both Group Revenue and Adjusted EBITDA for the Full Year 2018, reflecting growth at all three divisions. We made further progress on strengthening our financial position by reducing our leverage. TMK's net debt-to-EBITDA ratio decreased to 3.48x in 2018 and the Group is committed to achieving its target of 3.00x by the end of this year.

We are positive about the outlook for 2019 and expect domestic consumption in Russia to remain strong, driven by growing demand for high tech products for increasingly complex hydrocarbon production projects, and anticipate stable demand and an improved sales-mix in Europe. Meanwhile, the performance of our American division is supported by stable drilling activity, Section 232 limits on imports, and the recovery of oil prices since the beginning of the year.

TMK anticipates higher Group EBITDA and a slightly improved EBITDA margin for FY 2019."

Group Summary FY 2018 and 4Q 2018 Results

(In millions of US$, unless stated otherwise)

	FY 2018	FY 2017	*Change*	4Q 2018	3Q 2018	*Change*
(thousand tonnes)						
Seamless	**2,743**	2,671	3%	**738**	606	22%
Welded	**1,246**	1,113	12%	**265**	318	(17)%
Total sales	**3,989**	3,784	5%	**1,002**	925	8%
Including OCTG	***1,930***	*1,758*	*10%*	***533***	*450*	*18%*
Revenue	**5,099**	4,394	16%	**1,264**	1,207	5%
Gross profit	**916**	872	5%	**224**	221	1%
Gross profit margin, %	***18%***	*20%*		***18%***	*18%*	
Adjusted EBITDA (1)	**700**	605	16%	**179**	164	9%
Adjusted EBITDA margin, %	***14%***	*14%*		***14%***	*14%*	

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

(1) Adjusted EBITDA is determined as profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortization, foreign exchange (gain)/loss, impairment/(reversal of impairment) of non-current assets, movements in allowances and provisions (except for provision for bonuses), (gain)/loss on disposal of property, plant and equipment, (gain)/loss on changes in fair value of financial instruments, share of (profit)/loss of associates and other non-cash, non-recurring and unusual items.

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FY 2018 IFRS Financial Statements are available at:
www.tmk-group.com/media_en/texts/34/TMK_FS_ENG_USD_311218.pdf

FY 2018 and 4Q 2018 Review

Market

FY 2018 vs. FY 2017

The Russian pipe market grew 2% year-on-year, largely driven by higher demand for large diameter pipe. The total OCTG market was flat year-on-year, while seamless OCTG consumption was up 2.5%, supported by the increasing complexity of hydrocarbon production projects in Russia and a higher share of horizontal drilling (from 41% in 2017 to 48% in 2018).

In the U.S., the average rig count increased 18%, according to Baker Hughes, supported by a recovery in crude oil prices and higher E&P spending by the oil and gas companies. This drove higher demand for OCTG pipe throughout the year, with OCTG consumption increasing 17% year-on-year. High inventory levels, built up at the beginning of the year due to an influx of imports ahead of the implementation of Section 232, fell steadily in the last two quarters of the year to normalized levels.

In 2018, conditions in the European pipe market noticeably improved compared to 2017, with higher pipe consumption from both US and domestic customers, increased capacity utilization and a better pricing environment.

4Q 2018 vs. 3Q 2018

In 4Q, the Russian pipe market declined 7% compared to the previous quarter due to weak seasonal demand for industrial pipe, both seamless and welded. Lower demand for industrial pipe was partially compensated by a stronger Russian OCTG market, which grew 17% quarter-on-quarter following traditionally higher purchasing activity by the oil and gas companies.

In the U.S., drilling activity in 4Q grew slightly, with 29 more rigs compared to previous quarter. OCTG shipments were down 1% quarter-on-quarter (Preston Pipe Report), following the high buildup of inventories in the market that took place during 1Q 2018, as a result of an influx of imports ahead of the implementation of Section 232, with inventories then falling steadily in the last two quarters of 2018. WTI prices were in steep decline during the fourth quarter of 2018, falling 42% from a peak of 76 $/bbl on October 3, 2018 to a low of 44 $/bbl on December 27, 2018. Since then, prices have recovered to levels above 50 $/bbl as concerns of lower than expected economic growth and oversupply have begun to dissipate.

In 4Q, European pipe producers saw some slowdown in demand due to higher inventories accumulated by consumers in the previous quarters of 2018.

Financial

FY 2018 vs. FY 2017

Revenue increased 16% compared to FY 2017, driven by improved results at all three divisions. Adjusted EBITDA grew 16% year-on-year, and adjusted EBITDA margin remained flat year-on-year at 14% in FY 2018.

Total debt decreased from $3,239 million as at December 31, 2017 to $2,867 million as at December 31, 2018. The weighted average nominal interest rate came down by 87 bps compared with the end of 2017 to 7.29% as at the end of the reporting period. Net debt decreased from $2,688 million as at December 31, 2017 to $2,437 million as at December 31, 2018.

4Q 2018 vs. 3Q 2018

Revenue increased 5% compared to 3Q 2018 due to stronger pipe sales across all three divisions. At the Russian division revenue was impacted by a negative effect of currency translation.

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Adjusted EBITDA increased by $14 million compared to the previous quarter, to $179 million, due to a stronger performance at the Russian division. Adjusted EBITDA margin was almost flat compared to 3Q 2018 at 14%.

Total debt decreased from $2,941 million as at September 30, 2018 to $2,867 million as at December 31, 2018. Net debt decreased from $2,624 million as at September 30, 2018 to $2,437 million as at December 31, 2018.

Capital expenditures amounted to $87 million for 4Q 2018 compared to $56 million for the previous quarter, primarily due to unplanned and opportunistic real estate acquisition. As a result, capital expenditures for FY 2018 amounted to $273 million. Meanwhile in the medium-term the Company targets to cap annual capital expenditures at the level of $200 million.

FY 2018 and 4Q 2018 Segment Results

RUSSIAN DIVISION

(In millions of US$, unless stated otherwise)

	FY 2018	FY 2017	*Change*	4Q 2018	3Q 2018	*Change*
(thousand tonnes)						
Seamless	**2,133**	2,122	1%	**565**	466	21%
Welded	**852**	804	6%	**180**	221	(18)%
Total sales	**2,985**	2,926	2%	**745**	687	9%
Including OCTG	***1,350***	*1,275*	*6%*	***372***	*309*	*20%*
Revenue	**3,442**	3,163	9%	**822**	789	4%
Gross profit	**652**	655	0%	**161**	147	10%
Gross profit margin, %	***19%***	*21%*		***20%***	*19%*	
Adjusted EBITDA	**485**	463	5%	**123**	106	17%
Adjusted EBITDA margin, %	***14%***	*15%*		***15%***	*13%*	

FY 2018 vs. FY 2017

- Higher sales, better pricing and an improved product mix with a higher share of OCTG drove revenue growth at the Russian division. However, the increase in revenue was partially offset by a negative effect of currency translation.
- Adjusted EBITDA was impacted by an increase in raw material prices, which was partially compensated by lower selling, administrative and other operational expenses. As a result, Adjusted EBITDA margin slightly declined year-on-year in FY 2018.

4Q 2018 vs. 3Q 2018

- Revenue at the Russian division grew quarter-on-quarter, driven by higher seamless OCTG and line pipe sales, as well as increased LDP sales. However, the result was partially offset by a negative impact of currency translation.
- Adjusted EBITDA increased quarter-on-quarter mainly due to the change in the sales mix with a higher share of seamless pipe, as a result adjusted EBITDA margin was up 2 p.p.

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AMERICAN DIVISION

(In millions of US$, unless stated otherwise)

	FY 2018	FY 2017	*Change*	4Q 2018	3Q 2018	*Change*
(thousand tonnes)						
Seamless	**410**	364	13%	**120**	93	30%
Welded	**394**	309	27%	**84**	97	(13)%
Total sales	**804**	673	19%	**205**	190	8%
Including OCTG	***580***	*483*	*20%*	***161***	*142*	*14%*
Revenue	**1,349**	989	36%	**366**	341	7%
Gross profit	**182**	170	7%	**41**	51	(19)%
Gross profit margin, %	***13%***	*17%*		***11%***	*15%*	
Adjusted EBITDA	**164**	114	44%	**43**	45	(5)%
Adjusted EBITDA margin, %	***12%***	*12%*		***12%***	*13%*	

FY 2018 vs. FY 2017

- Year-on-year, the continued improvements in the US oil and gas market, which has seen higher drilling activity and E&P spending, have led to stronger OCTG sales. Together with an improved pricing environment, this drove higher revenues at the American division.
- Adjusted EBITDA margin remained flat year-on-year in FY 2018, reflecting higher raw material prices.

4Q 2018 vs. 3Q 2018

- Stronger revenue at the American division was mainly driven by higher seamless OCTG sales. This was partially offset by lower sales of welded pipe, as in 4Q 2018 distributors reduced pipe inventories in anticipation of new import supplies and declining HRC prices. Revenues were also impacted by lower selling prices, which followed a downward trend in raw material prices.
- Lower Adjusted EBITDA predominantly reflected a decline in selling prices for welded products and higher input costs due to the increase in raw material prices recorded in previous quarters, which was partially offset by lower selling, administrative and general expenses. As a result, adjusted EBITDA margin was down 1 p.p.

EUROPEAN DIVISION

(In millions of US$, unless stated otherwise)

	FY 2018	FY 2017	*Change*	4Q 2018	3Q 2018	*Change*
Total seamless pipe sales (thousand tonnes)	**201**	186	8%	**52**	48	9%
Revenue	**308**	242	27%	**75**	77	(2)%
Gross profit	**82**	48	71%	**21**	23	(7)%
Gross profit margin, %	***27%***	*20%*		***28%***	*30%*	
Adjusted EBITDA	**51**	28	81%	**12**	13	(8)%
Adjusted EBITDA margin, %	***17%***	*12%*		***16%***	*17%*	

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FY 2018 vs. FY 2017

- The strong year-on-year performance at the European division was driven by higher seamless pipe sales, a favourable pricing environment and a notable improvement in the product mix towards higher value-added products due to the launch of the new heat treatment facility at TMK-ARTROM in early 2018.

4Q 2018 vs. 3Q 2018

- Seamless pipe sales increased quarter-on-quarter, recovering to normalized levels after a seasonal slowdown of activities in the European market during 3Q 2018. However, the European division's financial performance was impacted by a negative effect of currency translation.

4Q and FY 2018 IFRS Results Conference Call:

TMK's management will hold a conference call for investors and analysts to present the Group's 4Q/FY 2018 financial results today at 9:00 New York / 14:00 London / 17:00 Moscow.

To join the conference call please dial:

UK Local:	+44 2071 943 759
UK Toll Free:	0800 3766 183
Russia:	+7 495 646 9315
Russia Toll Free:	8 800 500 9863
US Local:	+1 646 722 4916
US Toll Free:	84 4286 0643

Conference ID: 69191066#

(We recommend that participants start dialing-in 5-10 minutes in advance to ensure a timely start for the conference call)

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For further information regarding TMK, please, visit www.tmk-group.com or download the YourTube iPad application from the App Store.

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TMK (www.tmk-group.com)

TMK (*www.tmk-group.com*) is a leading global manufacturer and supplier of steel pipes for oil and gas industry, operating over 20 production sites in the United States, Russia, Canada, Romania and Kazakhstan with two R&D centers in Russia and the U.S.. The largest share of TMK's sales belongs to high margin oil country tubular goods (OCTG), shipped to customers in over 80 countries. TMK delivers its products along with an extensive package of services in heat treating, protective coating, premium connections threading, warehousing and pipe repairing. TMK's securities are listed on the London Stock Exchange and on the Moscow Exchange MICEX-RTS.

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