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PRESS RELEASE

TMK Announces 2Q 2019 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 interim consolidated IFRS financial results for the six months ended June 30, 2019.

2Q 2019 Highlights

Financial

- 2Q Revenue up 4% quarter-on-quarter to \$1,307m
- 2Q Adjusted EBITDA up 11% quarter-on-quarter to \$195m
- Adjusted EBITDA margin increased 1 p.p. to 15% in 2Q 2019
- Net debt up to \$2,641m as at June 30, 2019, mainly reflecting rouble appreciation against the US dollar

Major Developments in 2Q 2019

- On June 22, 2019, Igor Korytko was appointed CEO of TMK. Having previously served as TMK's Vice President for Efficiency Management, Igor Korytko will continue to implement TMK's strategic initiatives, including the digital transformation of the business, which will enable the Company to further strengthen its competitive position.
- In June, TMK and NOVATEK signed a Strategic Partnership and Cooperation Agreement. The agreement outlines key policies and approaches for supplying TMK's premium casing and tubing pipe to NOVATEK, introduces formula-based pricing to promote efficient production and ensure timely and reliable supply, and will remain effective until the end of 2023.

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 higher 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 with oil and steel price volatility, a slowdown in drilling activity and operators focusing on capital discipline, all resulting in lower pipe demand and pressure on prices.

In Europe, a challenging market environment and pricing pressure, coupled with a seasonal slowdown in activities in the European market in the third quarter might impact the European division's financial performance for the full-year 2019. However, overall TMK expects to see sustained demand for seamless industrial pipe in full-year 2019 with the sales mix for the European division comprising a higher share of high value-added products.



Igor Korytko, CEO of TMK, said:

“TMK delivered a solid quarter-on-quarter performance in the second quarter of 2019, driven by strong results at the Russian division, which achieved record quarterly sales for the last four years and further improved its product mix towards a higher share of high-tech products. This translated into a 21% increase in the division’s adjusted EBITDA and stronger margins.

Despite a temporary debt increase, mainly due to the Russian rouble appreciation against the US dollar, TMK remains focused on its commitment to bring the net debt-to-EBITDA ratio further down and achieve its target of 3.00x by the end of this year.

We remain committed to executing on our strategy to reinforce our leadership positions in the market, improve operational efficiency, develop innovative solutions for customers using cutting-edge digital technologies and adhere to best-in-class ESG (environmental, social and governance) standards.”

Group Summary 2Q and 1H 2019 Results

(In millions of US\$, unless stated otherwise)

	2Q 2019	1Q 2019	Change		1H 2019	1H 2018	Change
<i>(thousand tonnes)</i>							
Seamless	690	685	1%		1,375	1,399	(2)%
Welded	341	293	16%		634	662	(4)%
Total sales	1,031	978	5%		2,009	2,062	(3)%
<i>Including OCTG</i>	471	495	(5)%		966	947	2%
Revenue	1,307	1,257	4%		2,564	2,628	(2)%
Gross profit	248	235	5%		483	471	3%
<i>Gross profit margin, %</i>	19%	19%			19%	18%	
Adjusted EBITDA ⁽¹⁾	195	175	11%		370	357	4%
<i>Adjusted EBITDA margin, %</i>	15%	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.

1H 2019 IFRS Financial Statements are available at:

www.tmk-group.com/media_en/texts/34/TMK_FS_300619_usd_en.pdf



2Q and 1H 2019 Review

Market

2Q 2019 vs. 1Q 2019

The Russian pipe market grew 9% compared to the previous quarter, driven by seasonal demand for industrial pipe and by higher consumption of large diameter pipe. The Russian OCTG market declined 5% quarter-on-quarter following seasonally slower purchasing activity by the oil and gas companies. In 2Q 2019, the share of horizontal drilling grew from 51% in 1Q 2019 to 54% in 2Q 2019.

In the U.S., OCTG consumption in 2Q 2019 was weaker compared to 1Q 2019, due to a slowdown in drilling activity, with the average number of rigs decreasing 5% from the prior quarter, and operators focusing on capital discipline.

In 2Q 2019, conditions in the European pipe market remained challenging with some slowdown in demand resulting from an unstable economic environment and pressure on prices.

1H 2019 vs. 1H 2018

In 1H 2019, the Russian pipe market grew 1% year-on-year, largely driven by higher demand for large diameter pipe. The Russian OCTG market remained stable, supported by the increasing complexity of hydrocarbon production projects in Russia and a higher share of horizontal drilling (up from 45% in 1H 2018 to 52% in 1H 2019).

In the U.S., the OCTG market saw a slowdown in demand, impacted by oil price volatility, a weakening drilling activity and high pipe inventories.

In 1H 2019, European pipe producers saw some slowdown in demand compared to 1H 2018, mainly due to a challenging economic environment.

Financial

2Q 2019 vs. 1Q 2019

Revenue increased 4% compared to 1Q 2019, due to a stronger performance at the Russian division, largely driven by higher sales of large diameter pipe.

Adjusted EBITDA increased 11% quarter-on-quarter to \$195 million, due to a stronger performance at the Russian division (Russian division's EBITDA up 21% quarter-on-quarter), a consequence of stronger sales, an improved product mix, as well as lower raw material prices. The Group's Adjusted EBITDA margin was up 1 p.p. compared to 1Q 2019 to 15%.

Total debt increased from \$2,851 million as at March 31, 2019 to \$2,974 million as at June 30, 2019. Net debt increased from \$2,519 million as at March 31, 2019 to \$2,641 million as at June 30, 2019, mainly caused by rouble appreciation against the US dollar.

1H 2019 vs. 1H 2018

Revenue declined 2% year-on-year mainly due to a lower revenue at the American and European divisions. The weaker performance at these two divisions was partially compensated by a stronger performance at the Russian division. Revenue at the Russian division was up 1% compared to 1H 2018, impacted by a negative effect of currency translation.

Adjusted EBITDA increased 4% year-on-year to \$370 million, mainly due to a stronger performance at the Russian division. Adjusted EBITDA at the Russian division was up by \$47 million, or 18% year-on-year, as a result of an improved sales mix. The Group's Adjusted EBITDA margin was flat compared to 1H 2018 at 14%.



Total debt increased from \$2,867 million as at December 31, 2018 to \$2,974 million as at June 30, 2019. The weighted average nominal interest rate was down by 2 bps compared to the end of 2018 to 7.27% as at the end of the reporting period. Net debt increased from \$2,437 million as at December 31, 2018 to \$2,641 million as at June 30, 2019, mainly caused by rouble appreciation against the US dollar. Net repayment of borrowings in 1H 2019 amounted to \$47 million.

2Q/1H 2019 IFRS Results Conference Call:

TMK's management will hold a conference call for investors and analysts to present the Group's 2Q/1H 2019 financial results today at 9:00 New York / 14:00 London / 16:00 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: 28936792#

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

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.