

TMK CAPITAL MARKETS DAY

London
October 30, 2017



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TMK Strategy Update

Vladimir Shmatovich

Vice President for Strategy and
Business Development

Alexander Pumpyanskiy

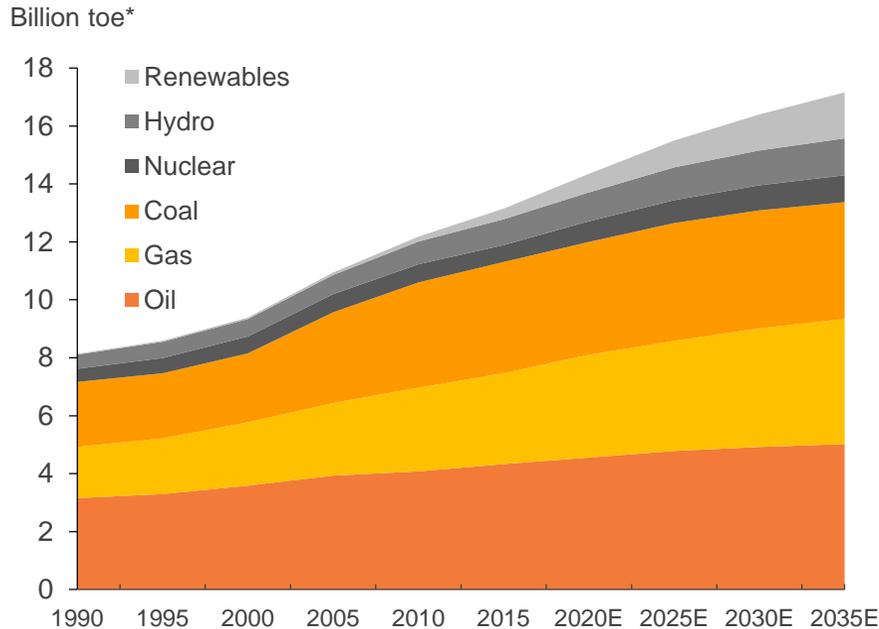
Member of the Board of Directors



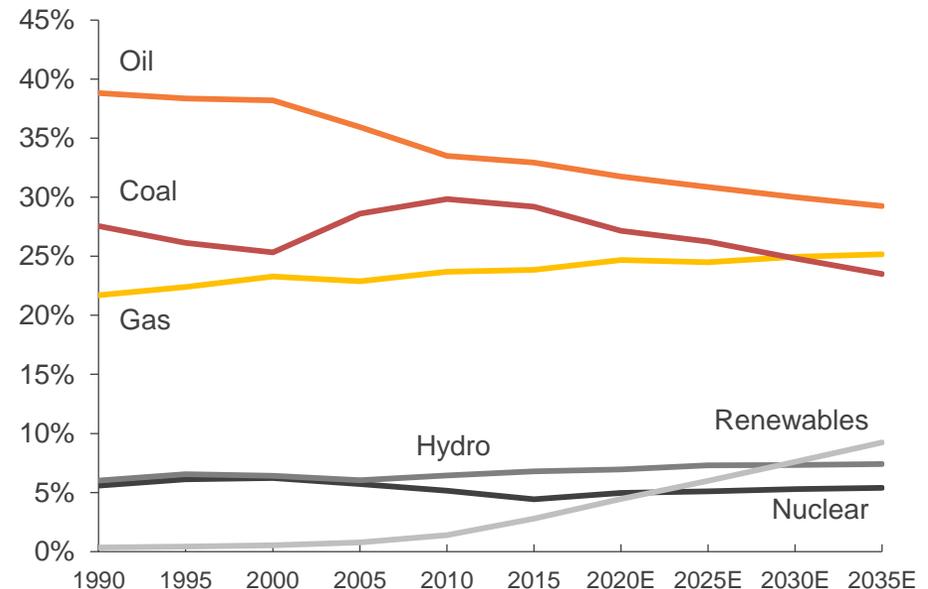
Market Fundamentals

- Oil and gas consumption will increase in absolute terms, with the share of natural gas consumption growing at a faster rate, driven by the growth in the global economy
- Demand for high-tech tubular products for hydrocarbon production and transportation will increase driven by the growing complexity of production conditions and accelerated growth in gas production

Primary energy consumption by fuel



Shares of primary energy

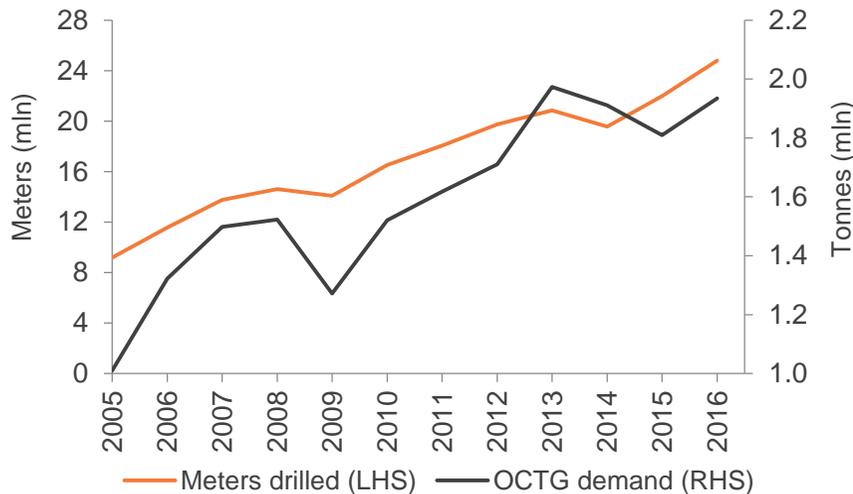


Source: BP Energy Outlook 2017
Note: * - tonnes oil equivalent



Growing Drilling Activity and OCTG Market Demand in Russia

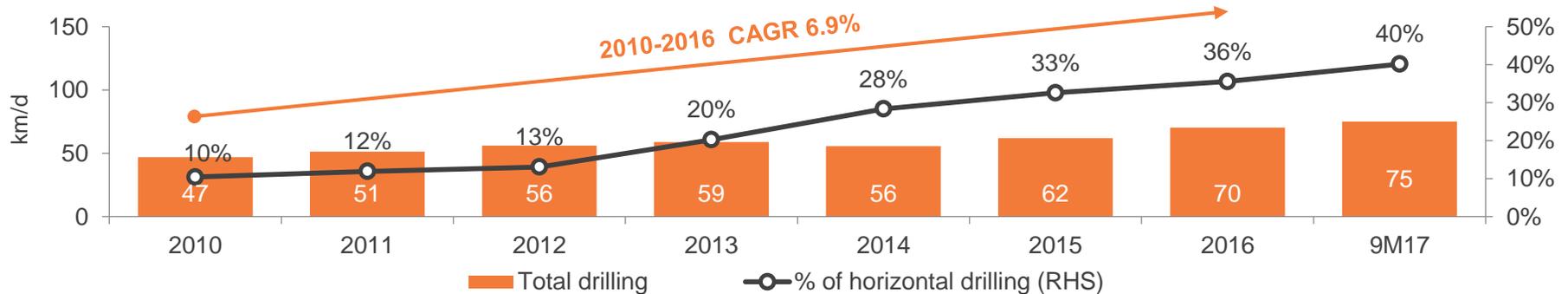
OCTG market demand fundamentals supportive of continuing growth⁽¹⁾



Key considerations

- Increased drilling in Russia, which has demonstrated a strong 6.9% CAGR between 2010 and 2016 despite the agreement with OPEC, with OCTG demand having increased at 2.0% CAGR over the same period⁽¹⁾
- OCTG pipe demand is expected to continue to increase in line with drilling volumes, based on strong historical correlation
- Increased share of horizontal drilling from 10% to 40% between 2010 - 9M2017⁽¹⁾ due to the application of sophisticated technologies to stem the decline in production
- Increased footage growth in Russia by 13% YoY in 2016, according to Russia's Ministry of Energy

Russian drilling activity is strong and growing

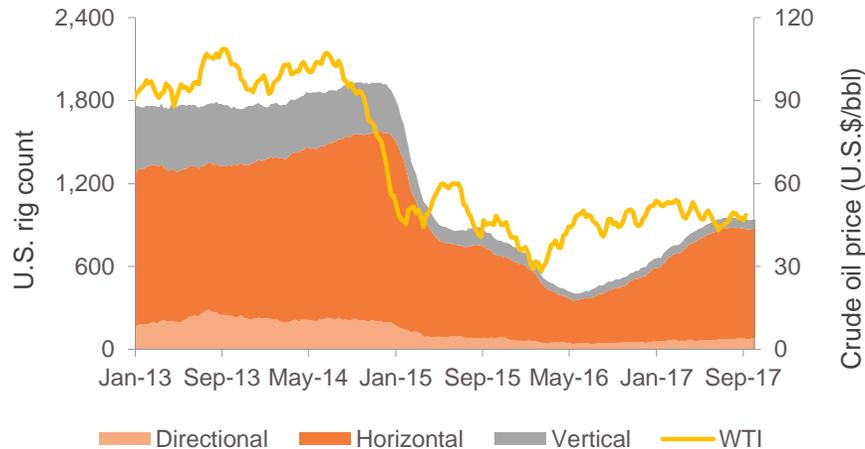


Source: CDU TEK
 (1) According to CDU TEK



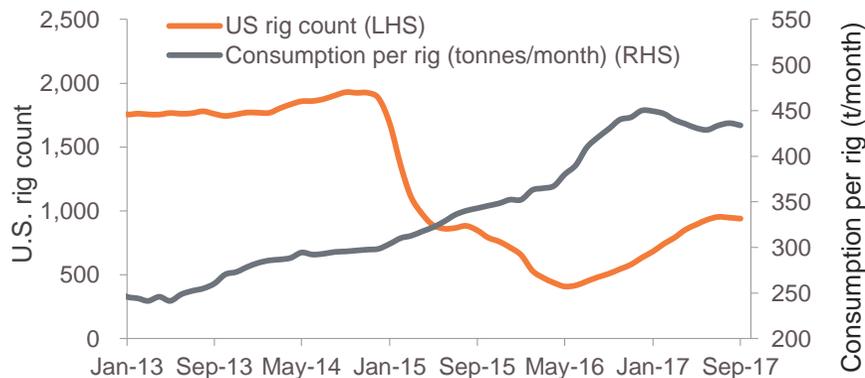
U.S. OCTG Market Stabilization

U.S. active rig count by type of drilling



Source: Baker Hughes, EIA

U.S. OCTG consumption per rig



Source: Preston Pipe & Tube Report, Baker Hughes

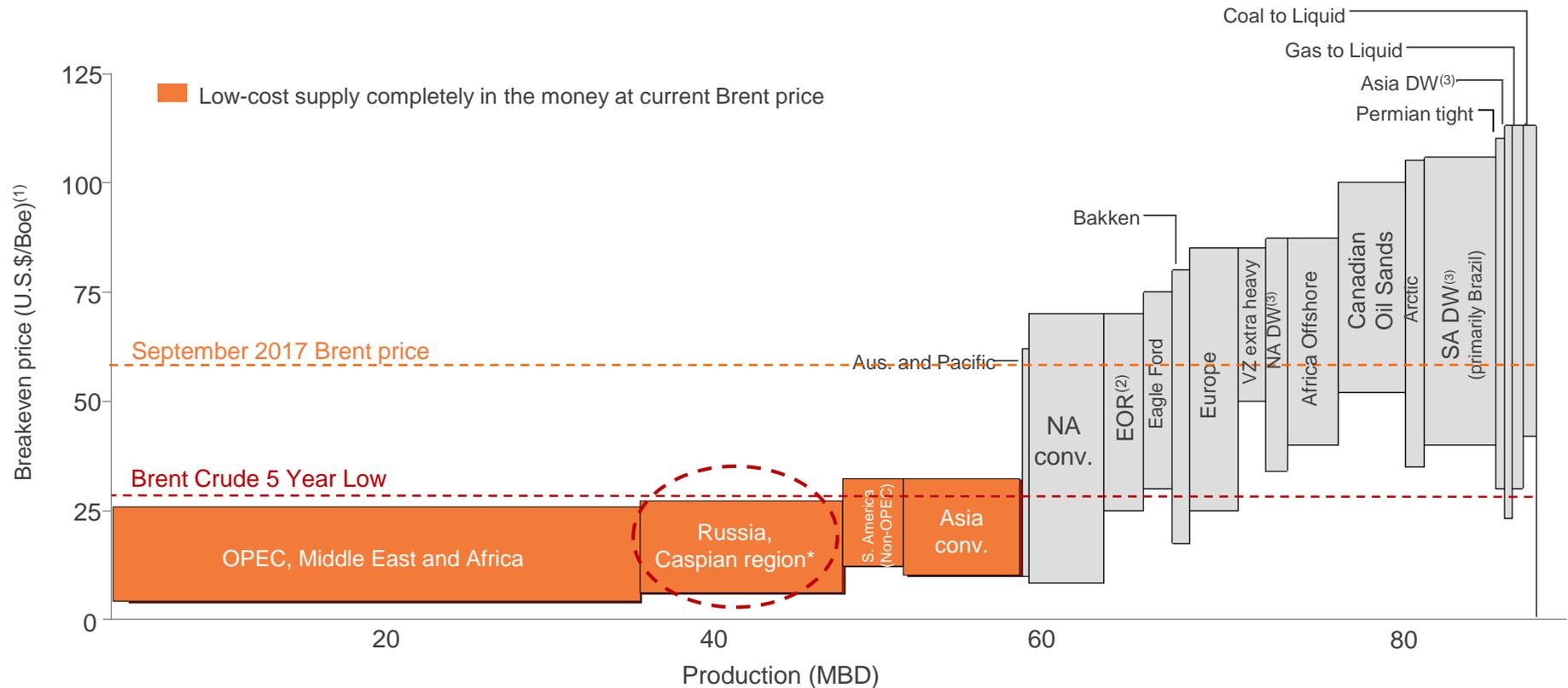
Key considerations

- Greater oil price stability has contributed to an increase in 2017 exploration and production capital expenditures by E&P operators in North America compared to 2016
- Increased land rig count in the United States, up 130% from 404 rigs as at mid-May 2016 to 940 rigs as at September 2017, while the amount of rigs used for horizontal drilling has continued to increase
- Higher share of horizontal and directional drilling, reaching 93% in October 2017 vs. 69% in early 2012 and more than doubling for the last 10 years
- OCTG consumption per rig per month has more than doubled since January 2012 driven by increased lateral lengths and greater drilling complexity



TMK's Home Market is One of the Lowest Cost Oil Producing Regions

Russian development drilling activity is strong and growing



Even with oil at 5 year lows, the low cost Russian and Caspian region is able to remain profitable unlike the majority of its international counterparts. In 2015 and 2016, Russia was the only region globally to maintain healthy drilling activity and stable OCTG demand.

Source: IEA World Energy Outlook; EIA International Energy Outlook; EIA Annual Energy Outlook; Morgan Stanley

Notes: (1) Breakeven price assumes a 10% return, and NPV of zero; *includes Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan; (2) Enhanced oil recovery; (3) Deep Water



Strategic Objectives 2018-2022

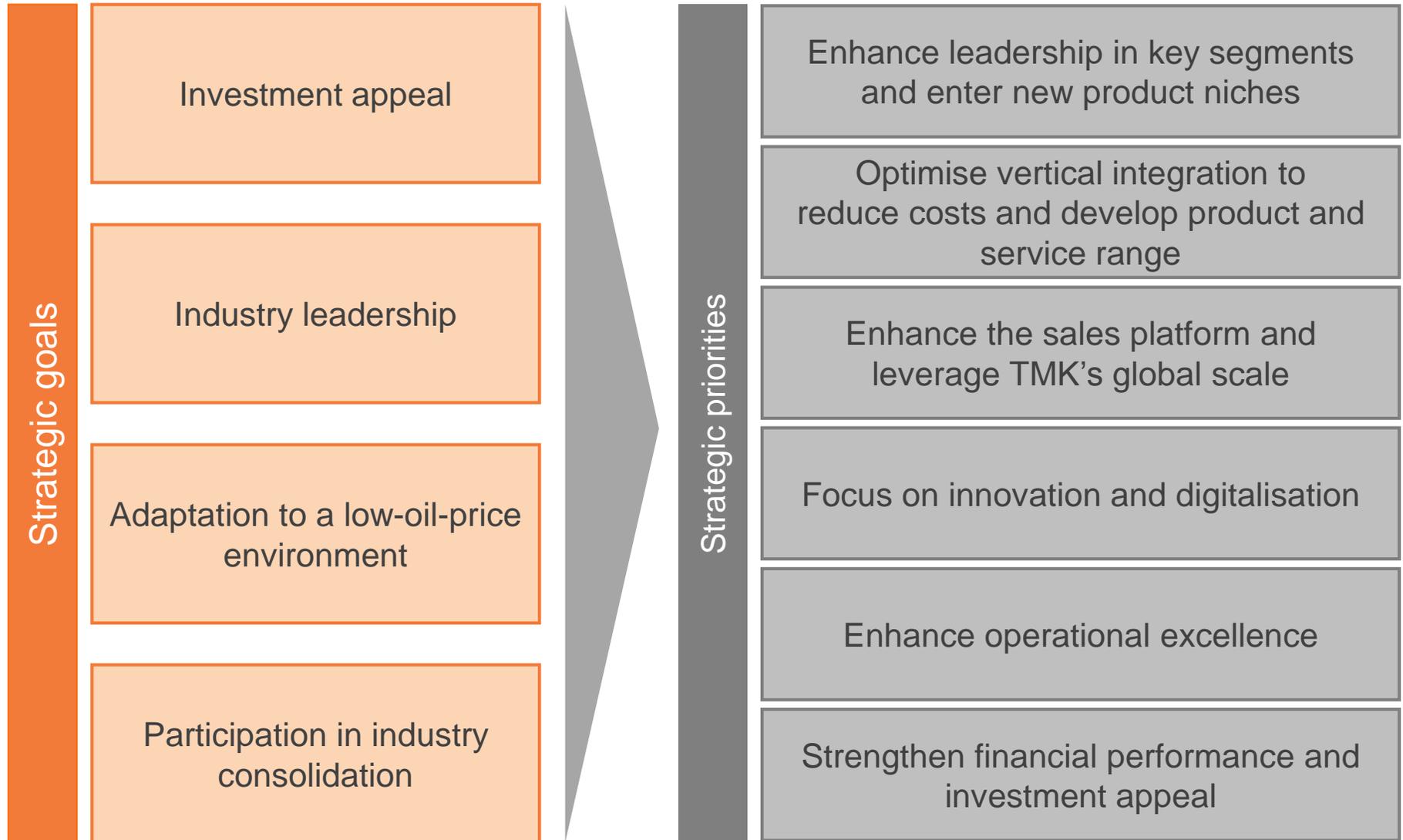
The Company looks at its strategic development until 2027 over two horizons

Horizon I (2018–2022)

1. Sustain position as a well-established supplier in the global OCTG market and the leader in the domestic OCTG market, which offers growth potential in a low-oil-price environment:
 - Dominate the Russian OCTG and line pipe markets;
 - Remain in the TOP 3 leading OCTG producers in the USA.
2. Consolidate position in the TOP 2 global leaders by financial performance
3. Reduce leverage
4. Maximize operating cash flow, optimize the asset portfolio
5. Enhance the level of safety of our employees
6. Improve environmental protection across TMK's production facilities in the regions, in which the Company operates
7. Develop a service offering of comprehensive design solutions for customers using cutting-edge digital technologies



Strategic Goals and Priorities





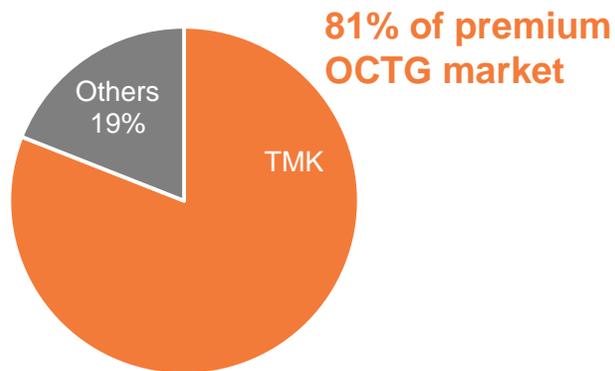
Enhance Leadership in Key Segments and Enter New Product Niches

TMK premium product offering



- Onshore/offshore
- Sour gas
- Thermal
- Arctic
- Horizontal and extended reach
- Drilling with casing
- Steam-Assisted Gravity Drainage (SAGD)
- Connections are available with GreenWell environment friendly technology

Leading market position in premium connections in Russia



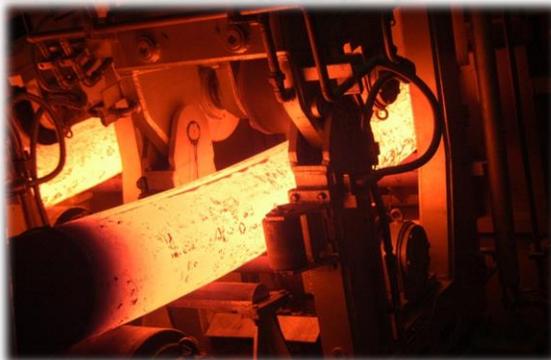
Source: TMK estimates, based on preliminary 9M2017 numbers

Strategic options and alliances

- Increase the share of high-tech products in the Russian division's revenue to 50% by 2022 and maintain a leading position in the Russian market for premium connections
- Ensure generation of \$100 million of additional annual revenue from new innovative products in the Russian division
- Expand presence in the OCTG and line pipe in Russia and the USA leveraging the existing capacity, or newly commissioned capacities, including those built in partnerships



Optimise Vertical Integration to Reduce Costs and Develop Product and Service Range (1/2)



Development plans

- Secure stable supplies of flat-rolled products to TMK's facilities for welded OCTG and line pipe production (incl. Russian division) through alliances
- Increase capacity utilization of steelmaking facilities through higher production volumes of steel billets and other products, and maximize the financial impact
- Expand presence in further processing of tubular products (drill pipe, coating)
- Use alliances and acquisitions to enter niche markets that are new to the Company



Optimise Vertical Integration to Reduce Costs and Develop Product and Service Range (2/2)

Development plans

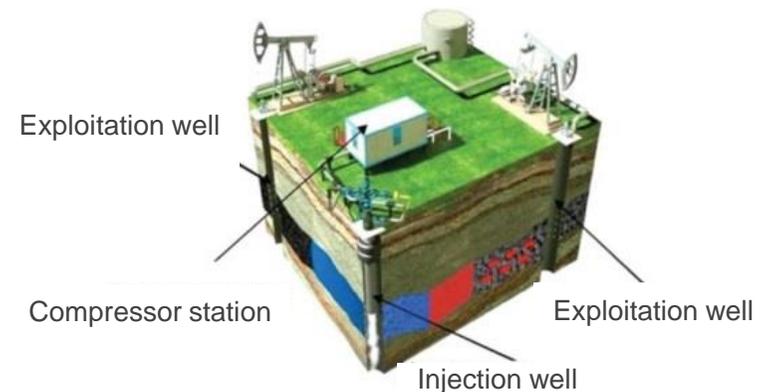
- Develop a service offering of ready-to-use comprehensive engineering solutions for customers, including through adoption of cutting-edge digital technologies, to promote TMK's high-tech products (example, the Eternal Well project)
- Develop inventory management service

TMK engineering service offering



Eternal Well project

Through applying new engineering approaches to the construction and repair of injection wells, customers can increase operational reliability, release wells from their dormant stock, improve the efficiency of agent injection into the seam and the quality of field development management



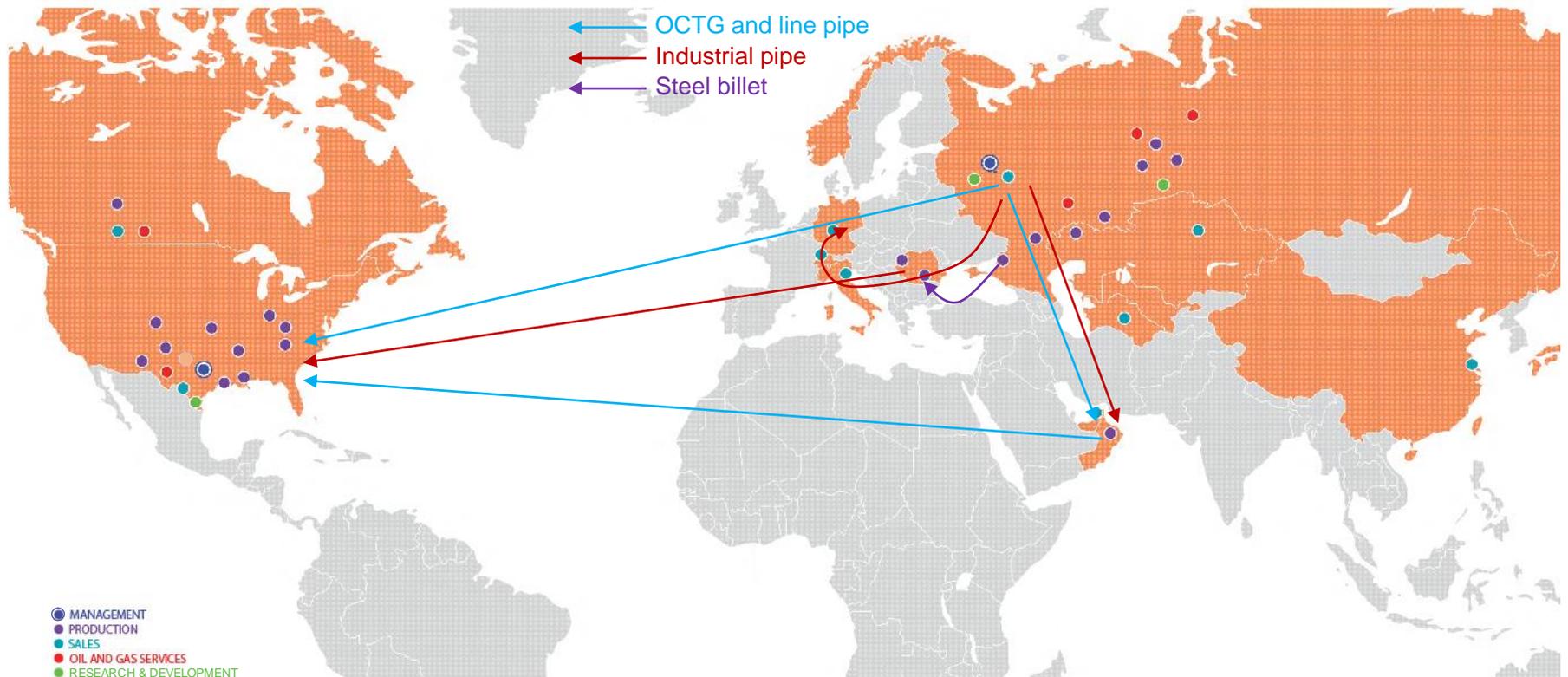


Enhance the Sales Platform and Leverage TMK's Global Scale (1/2)

Development plans

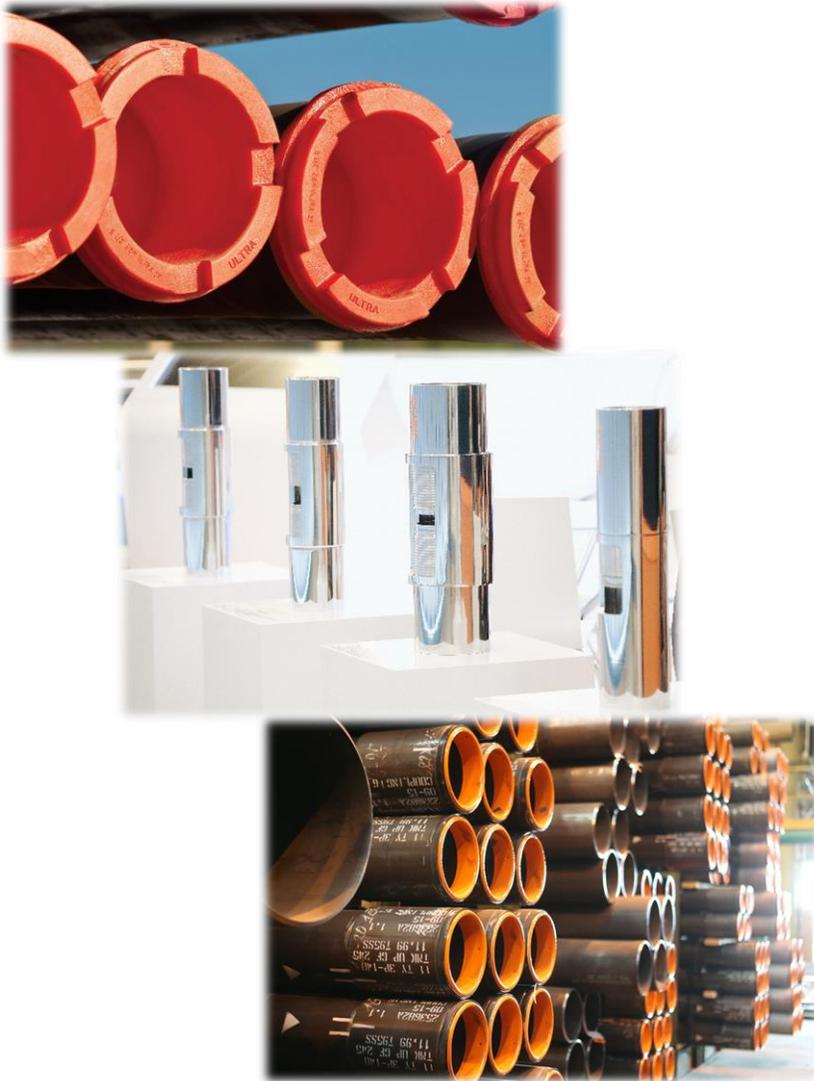
- Expand commercial footprint of TMK's products and services through improved coordination between divisions, more active development of existing brands, and strengthening of the Company's global sales network
- Accelerate best practice sharing processes to improve operations across regional divisions

Inter-divisional cooperation





Enhance the Sales Platform and Leverage TMK's Global Scale (2/2)



Development plans

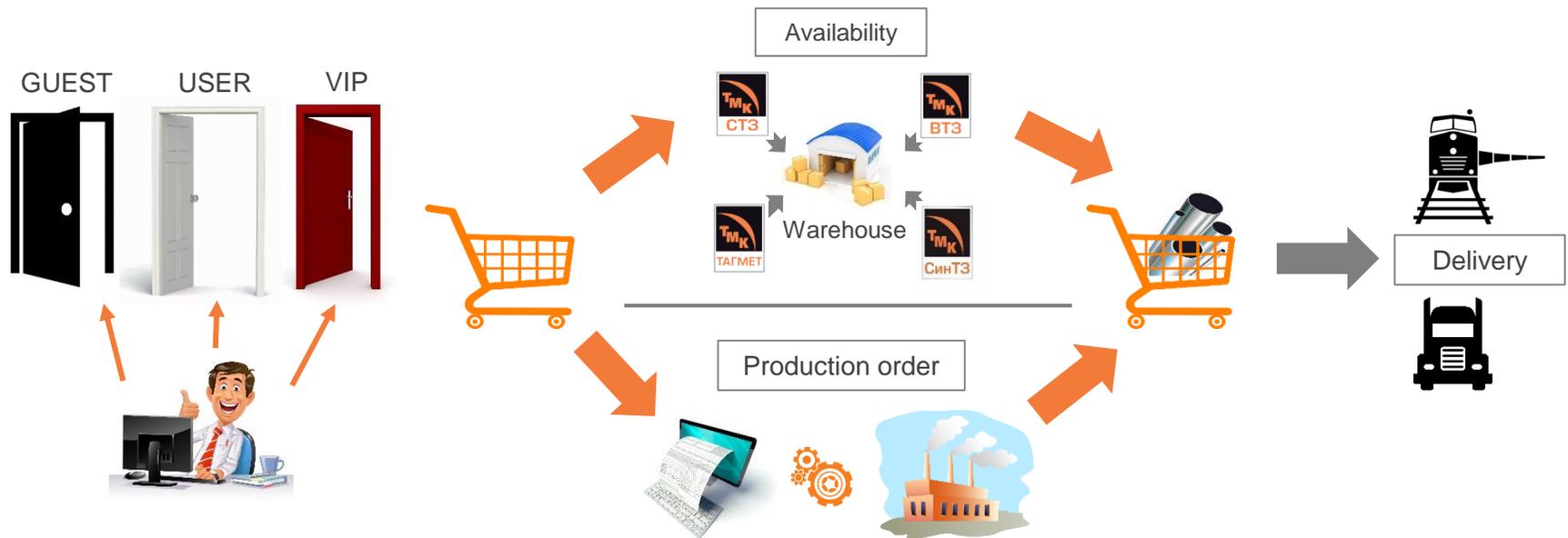
- Develop strategic partnerships with major customers (Rosneft, Gazprom) and global consumers:
 - In June 2017, TMK and Rosneft signed a 5.5-year contract for the supply of more than 3.5 mln tonnes of casing and tubing pipes. The contract is based on the price escalation formula
 - Under the «Future Thing» long-term agreement with Gazprom, TMK designs, develops and produces tubular goods under Gazprom's specifications. This includes supplies of high-strength and specialised pipes with TMK UP premium threaded connections from carbon steel and alloyed steel and special alloys for operation in challenging environments
- Focus on offering products that have a global market and stable demand outlook, i.e. high-tech seamless pipes and premium connections
- Develop export supplies from the Russian facilities while having flexibility to refocus them depending on macroeconomic and geopolitical environment



Focus on Innovation and Digitalisation

Development plans

- Develop e-commerce across all divisions via TMK eTrade, the first tubular goods Internet shop in Russia
- Via TMK eTrade customers in Russia can quickly and easily place orders for pipes from any of TMK's Russian plants, track their orders, calculate the delivery cost and obtain required documentation



- Use cutting-edge digital technology (Big Data, Industrial Internet of Things (IIoT), machine vision, 3D printing, blockchain etc.) to improve product quality and cut costs



Enhance Operational Excellence



Development plans

- Foster a culture of continuous operational improvements, lean production and production cost cutting
- Ensure consistent product quality through increasing the sustainability of technologies and personnel qualification
- Enhance occupational health and safety level
- Remain committed to high environmental standards
- Consistently reduce the carbon footprint of products through improved energy efficiency



Strengthen Financial Performance and Investment Appeal

Maximize
operating cash flow

Monetize international assets,
strategic alliances and joint
ventures in all regions of
presence

Reduce leverage to
3.0x Net Debt / EBITDA
as of FY 2019

Reduce leverage to
2.5x Net Debt / EBITDA
as of FY 2021



Strategic Objectives 2023-2027

Horizon II (2023–2027)

Enhance global leadership through:

1. Deepen long term partnerships with key consumers and jointly enter into new oil and gas producing regions
2. Further optimise and expand capacity, including through participation in the consolidation of the global pipe industry using alliances, partnerships and acquisitions
3. Adopt breakthrough digital technology and services, including Big Data, which will be transformed into one of the key drivers of the Company's growth



Russian Market Update: Focus on High-Value Products

Sergey Alekseev

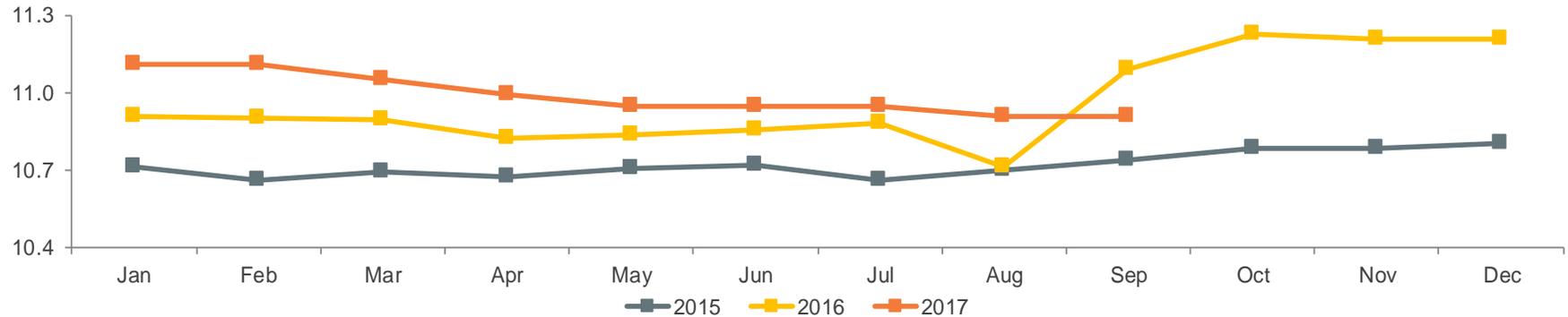
Director for Marketing



Oil Production in Russia Remains Strong...

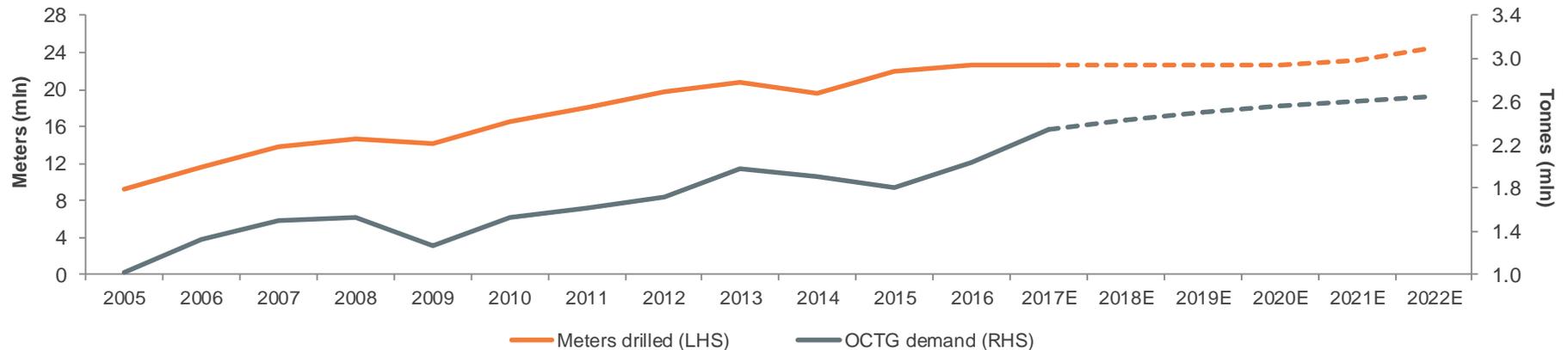
Oil production remains well above 10.5 MMbpd whilst adhering to the agreement with OPEC ...

Russian total oil output, MMbpd



Source: Interfax, Info TEK

...However OCTG demand is growing supported by existing level of production and development of greenfields



Source: Interfax, Info TEK, Spears & Associates, TMK estimates

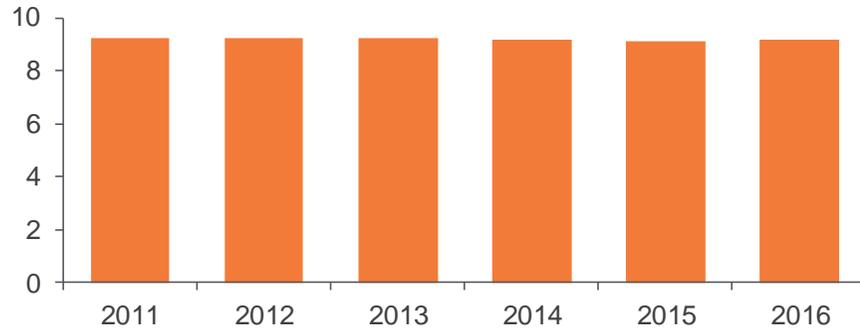




... However There are Changes to its Composition ...

Gradual stagnation of oil production from brownfields ...

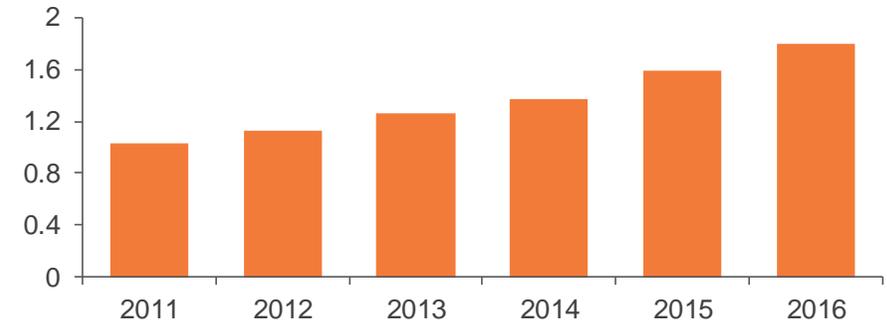
Brownfields production, MMbpd



Source: Interfax, Info TEK

... is accompanied by the development of greenfield projects ...

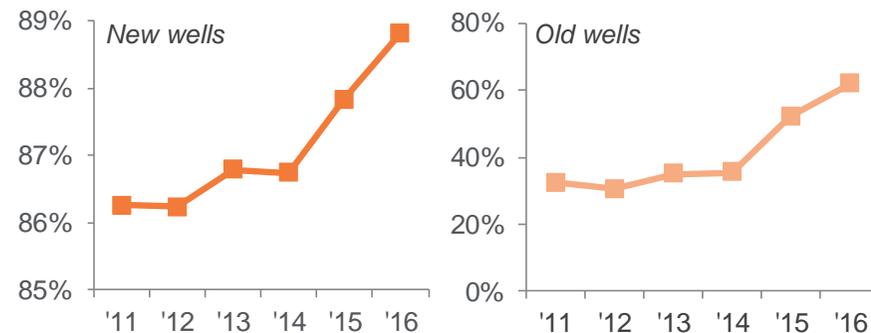
Greenfields production, MMbpd



Source: Interfax, Info TEK

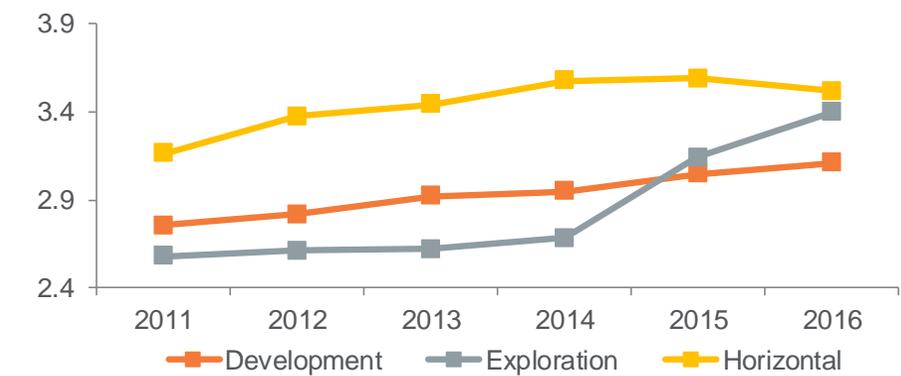
... Albeit the quality of Russian reserves continues to slowly deteriorate

Watercut, %



Source: Interfax, Info TEK, TMK estimates

Average well depth, km



Source: Interfax, Info TEK

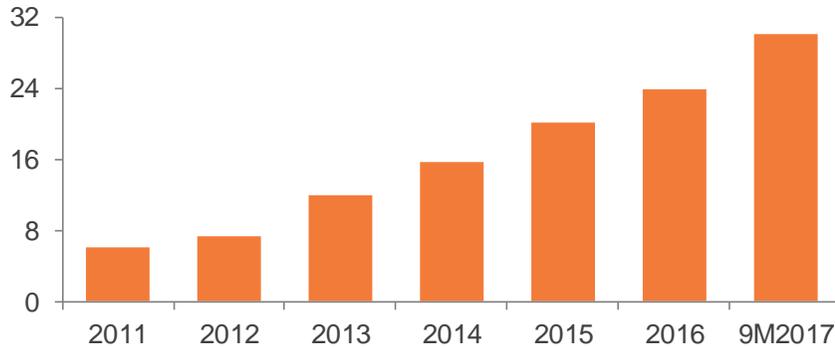




...Creating Long-term Demand for High-End Oil & Field Services

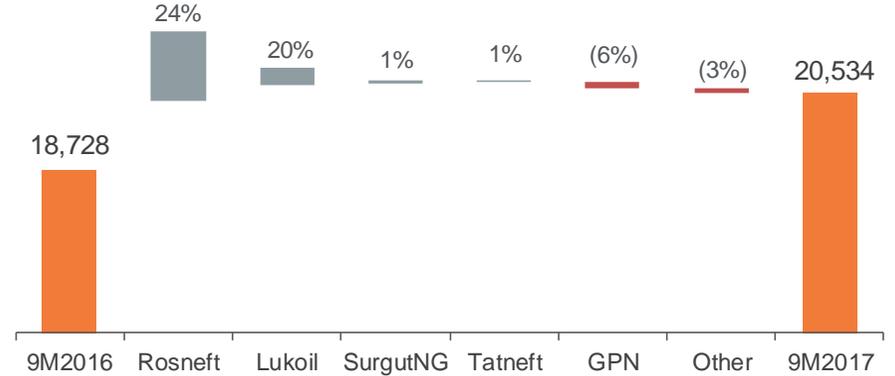
Russian drilling activity keeps growing ...

Russian drilling, kmpd



Source: Interfax, Info TEK

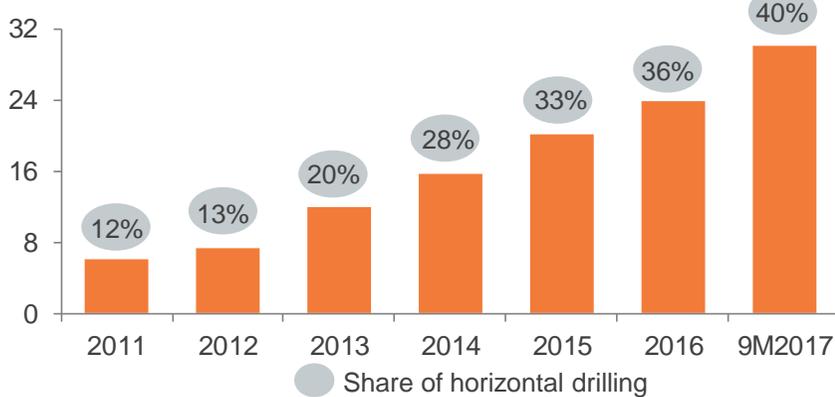
9M2017 Russian drilling growth broken down, km



Source: Interfax, Info TEK

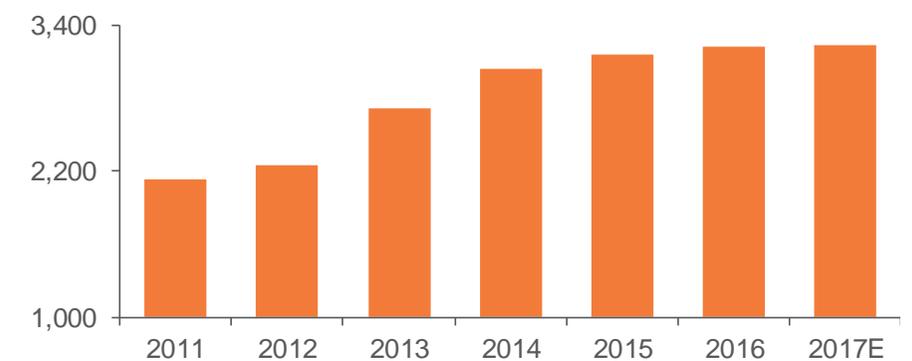
... with strong demand for advanced oil field services fueled by EOR activity at brownfields

Horizontal drilling, kmpd



Source: Interfax, Info TEK

Sidetracking progress (# of operations)

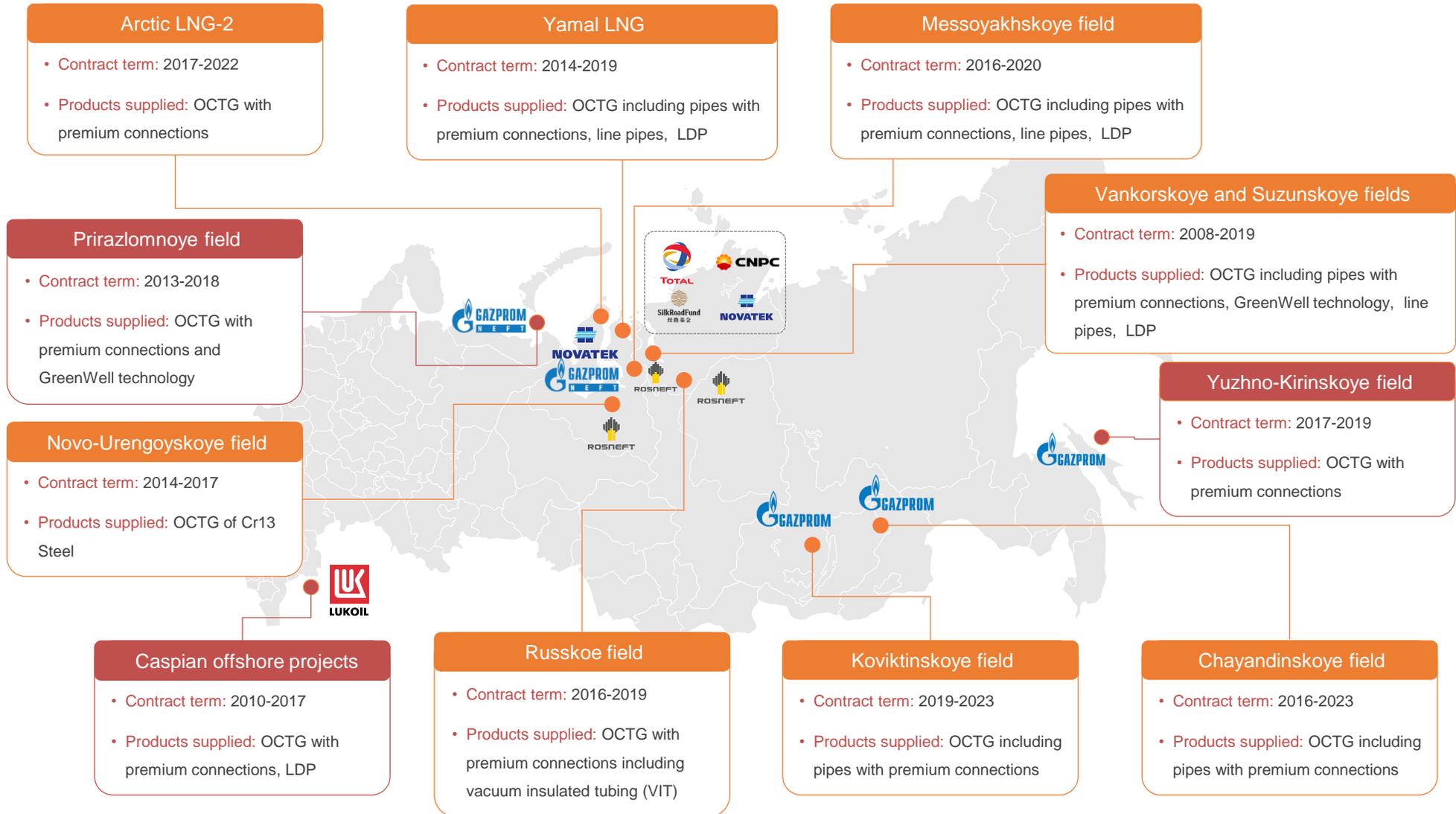


Source: RPI 2017



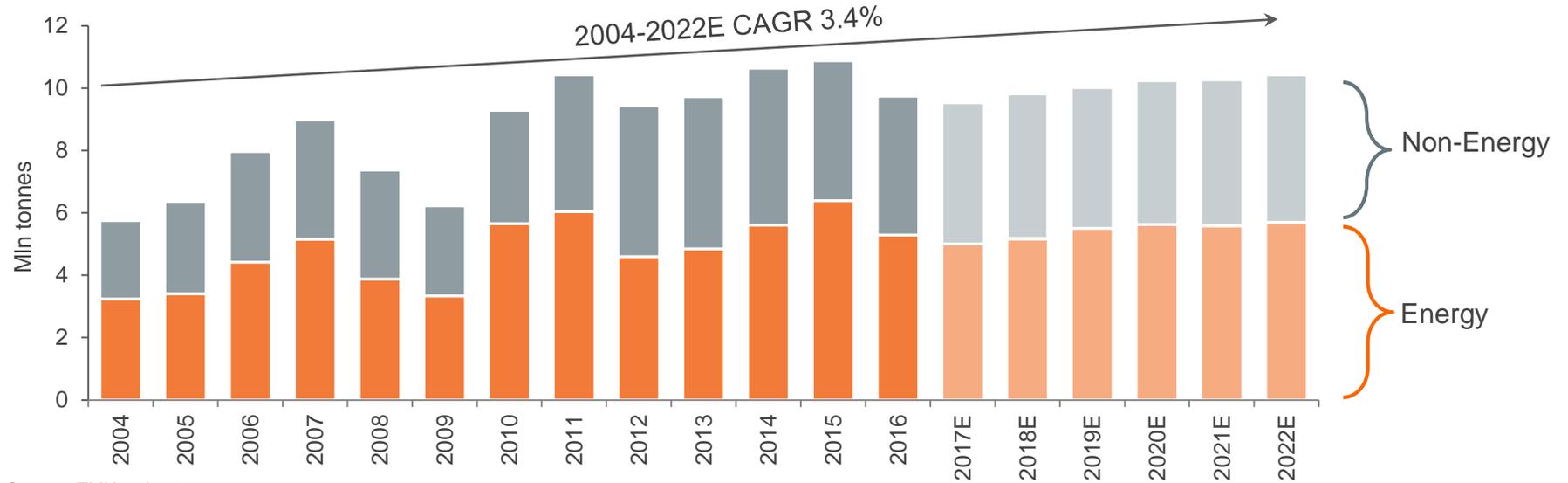


Attractive Portfolio of Premium OCTG Projects



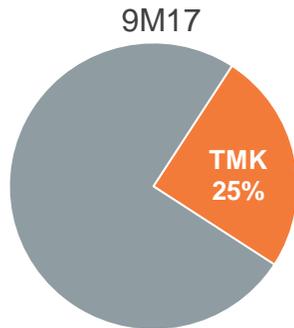


Russian Tube and Pipe Market



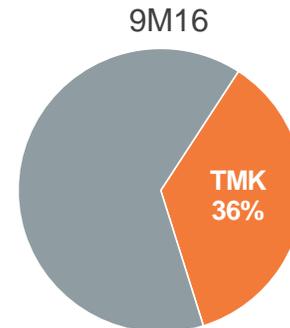
Source: TMK estimates

No.1 on the Russian tube and pipe market

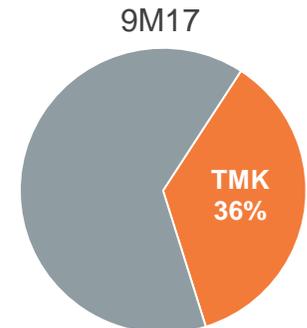


Source: TMK estimates, based on 9M2017 numbers

36% market share of energy pipe demand



Source: TMK estimates, based on 9M 2016–2017 numbers

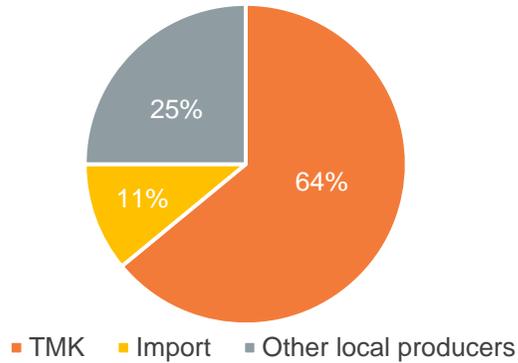




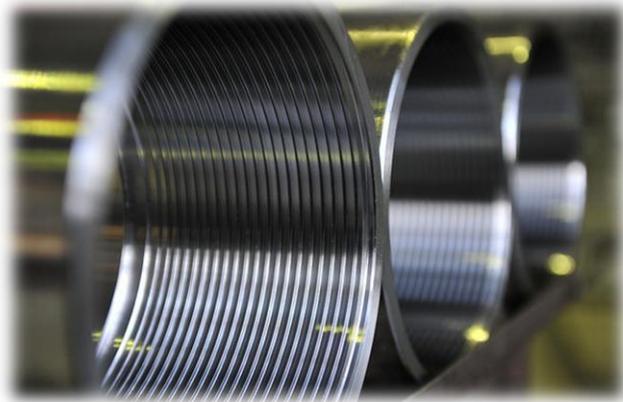
Strong Position on the Domestic Market

TMK share of seamless OCTG remains high

Seamless OCTG Market Shares, %

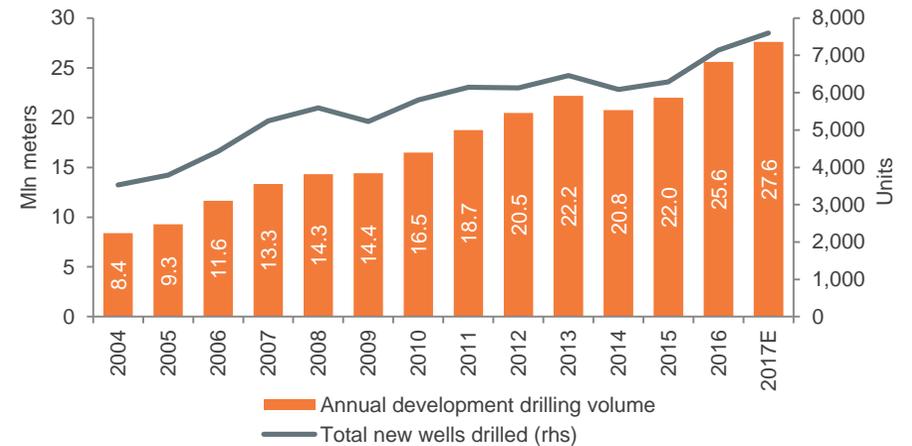


Source: TMK estimates



- Development of conventional and unconventional reserves will require the use of non-conventional drilling techniques and reliable OCTG products
- Russian seamless OCTG market is up by 12% YoY in 9M17
- TMK is a leader in the production of seamless OCTG on the Russian market with around 64% market share for 9M17

Growing oil drilling market in Russia

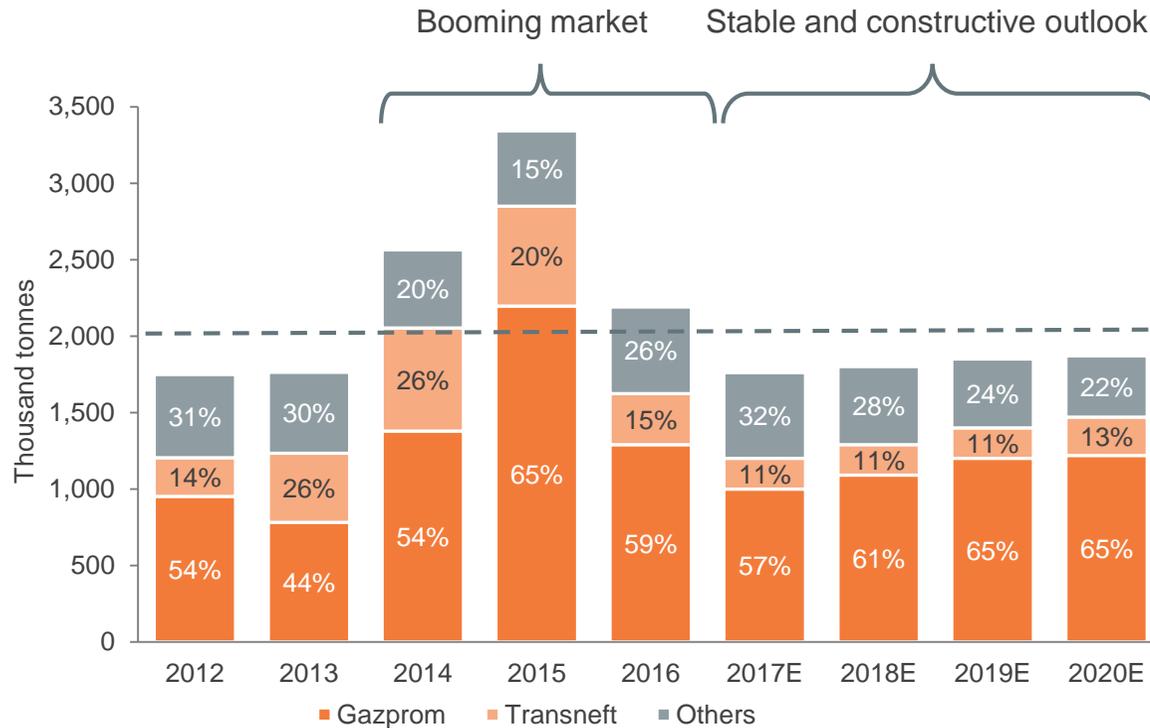


Source: CDU TEK, TMK estimates



LDP Demand in Russia

LDP demand in Russia, 2012–2020E

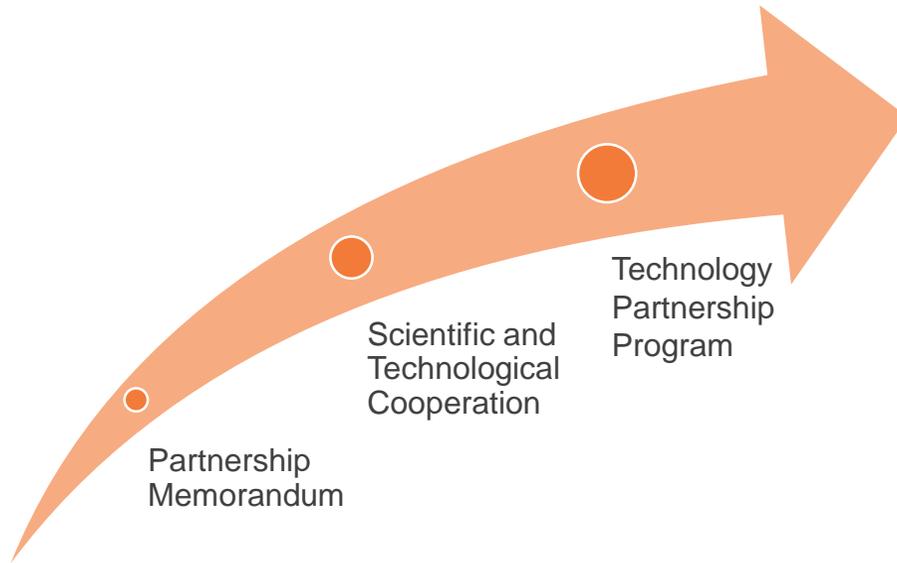


Source: TMK estimates

- Annual LDP demand for the next three years could amount to approximately 1.9 mln tonnes
- Major projects planned: Power of Siberia (GAZP), NS2 Onshore (GAZP), Power of Siberia-2 (GAZP), Sakhalin – Khabarovsk – Vladivostok GTS (GAZP), maintenance needs of Transneft and Gazprom



Strategic Cooperation Supporting Growth



Strategic cooperation with key customers



- Newly signed long-term agreements with key customers to develop and supply innovative premium products with related services will strengthen TMK's position
- Import substitution programs guarantee purchase of tubular products and related services
- TMK's innovative products are able to considerably improve the energy efficiency of wells, as well as safety and environmental impact

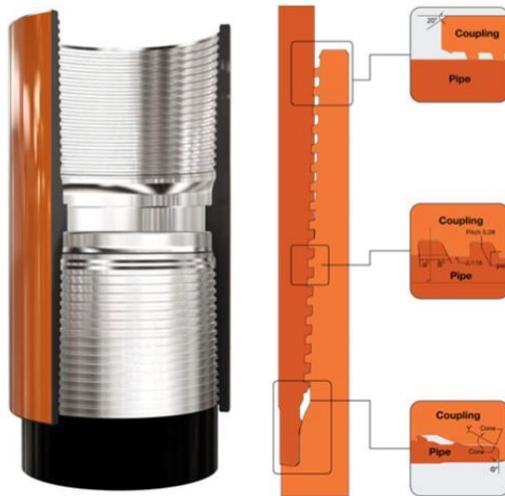


TMK UP Connections for all Conditions

TMK UP Centum — is the latest generation of gas-tight premium threaded connections for casing pipe featuring innovative design. It is the most recent offer within the line of TMK UP premium connections. The connection strength equals the pipe strength, considerably increasing the reliability of a pipe string during construction of wells with complex configurations



The first batch was produced for **NOVATEK's Arctic LNG-2 project** developed at **Salmanovskoye** oil and gas condensate field



TMK UP Centum is certified to ISO 13679 CAL IV, the highest international industry standard for premium threaded connections, and demonstrates 100% tension and compression efficiency

Product Range: 2–3/8”–13–5/8” / 60,32 –346,08 mm

Distinctive Futures

- Sealability envelope equal to 100% of pipe body strength
- Fastest assembling premium connection



European Market Update – Sustaining Strong Position



TMK European Division

TMK is a leading European supplier of seamless industrial pipe with market share of around 10% in 2017

TMK is strongly positioned in multiple end-markets for pipes, beyond oil & gas

- TMK-ARTROM is a qualified supplier for companies such as Dacia (a Renault subsidiary) and is a Tier 2 supplier for Toyota



Strengthening market presence with new products and state-of-the-art equipment

TMK Hydra Art

- TMK-ARTROM has developed a cold finished product range strengthening its offer to include Inside Skived and Roller Burnished (SRB) tubes, positioning the company alongside hydraulic cylinders producers
- TMK-ARTROM is finishing its new heat treatment line investment project
- Thanks to the high production flexibility, the new heat treatment line can also cost-effectively process smaller batch sizes and different product groups



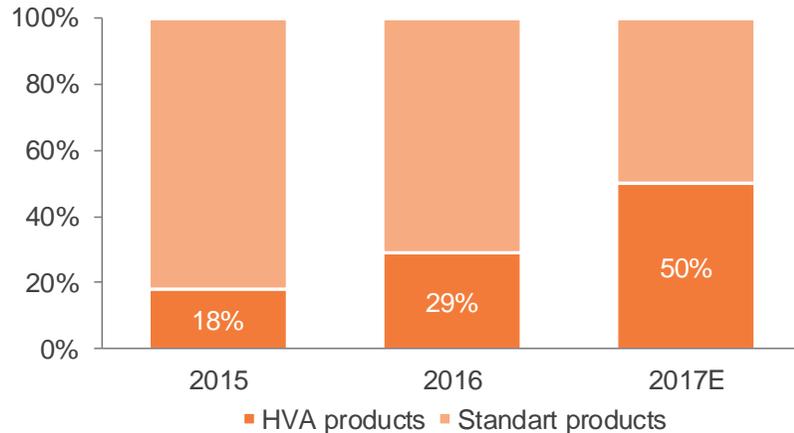


Middle East Market Update – Substantial Growth Potential



TMK Middle East Division

TMK Middle East sales structure 2015–2017E



Source: TMK estimates

- In 2014, TMK ME launched an action plan to increase its share of high-value products (Premium Connections and proprietary steel grade OCTG for the upstream oil and gas segment, offshore and deep offshore pipelines as well as high sour application line pipes)
- Today, the share of high-value product sales in TMK ME SMLS product mix has risen to 50%

TMK is an established supplier of OCTG in MENA market with market share of around 4%

TMK GIPI as a pipe management services provider

- TMK GIPI is the most modern ERW plant in the region with a significant upside potential for local and international sales
- TMK GIPI is a strategic supplier for PDO, the leading E&P company in the Sultanate of Oman accumulates around 70% of the country's crude oil production and nearly all of its natural gas supply
- TMK GIPI also provides high-quality services: pipe repairing, advanced laboratory testing and protective coating





Conclusion

Russia

- Russian oil output remains stable and well above 10.5 MMbpd. However, there are evidences of structural changes, and stagnating production from brownfields is being replaced by new greenfield developments
- Both trends are favourable for TMK. The ramp-up of new projects fuels an increase in conventional drilling, while EOR activity at brownfields is driving demand for high-end oil field services
- As the quality of Russian reserves slowly deteriorates, this leads to long-term demand for complex and high value-added products, including OCTG
- TMK is the leader on the Russian pipe market with focus on products for O&G industry and strong positions in OCTG and premium connections segments
- TMK is well positioned to supply to major international pipeline projects (Gazprom and Transneft)

Middle East

- The Middle East remains a stable and attractive market for TMK with the share of high-margin products in sales increasing over the past 3 years

Europe

- The European market demonstrates healthy growth, and TMK is aiming to strength its position there through offering unique and innovative products



U.S. Market Update: Positioning and Powering Ahead

Piotr Galitzine

Chairman and CEO, TMK IPSCO



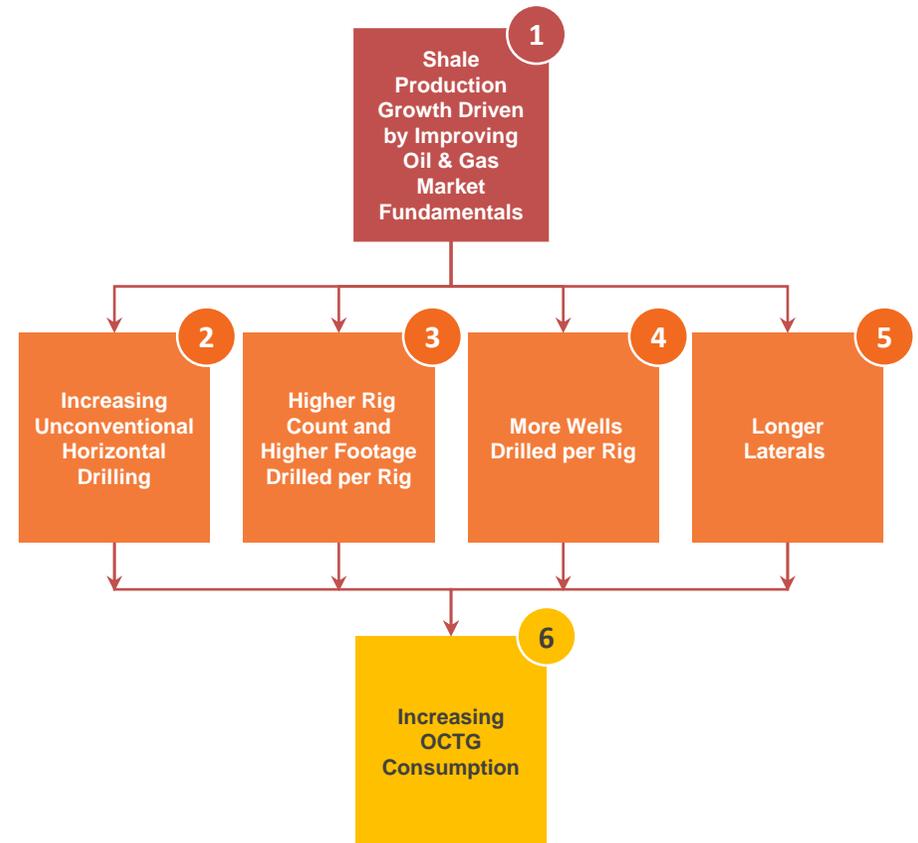
U.S. OCTG Market Overview



Strong Fundamentals Driving OCTG Consumption

- Shale oil production is growing supported by the O&G market recovery, which is reflected in higher unconventional exploration activity
- New levels of shale oil production are achieved by:
 - Increased unconventional horizontal drilling
 - Higher rig count and higher footage drilled per rig
 - More wells drilled per rig
 - Longer laterals
- As a result, OCTG consumption is increasing, driven by growing needs across the energy value chain

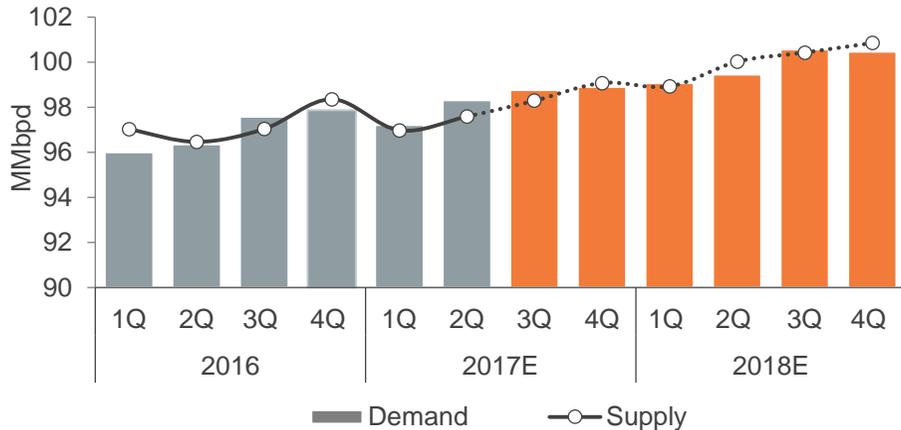
Strong fundamentals support OCTG demand





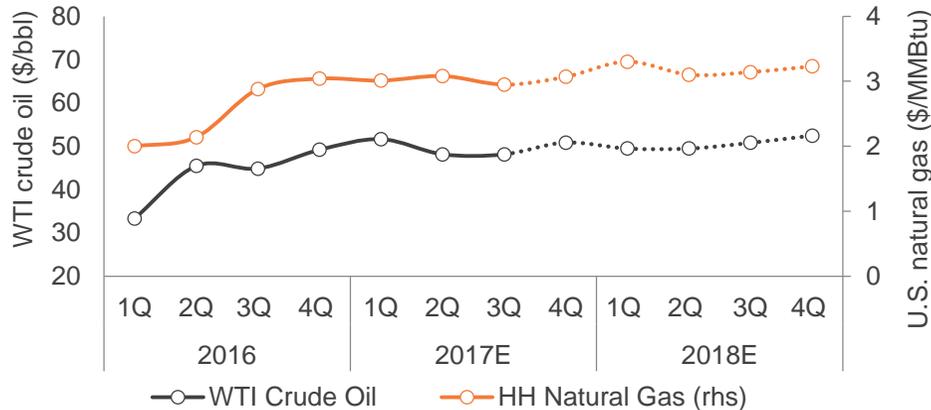
1 Improving Oil & Gas Market Fundamentals ...

Signs that the global glut is easing...



Source: EIA

...improve sentiment and price in 2H 2017



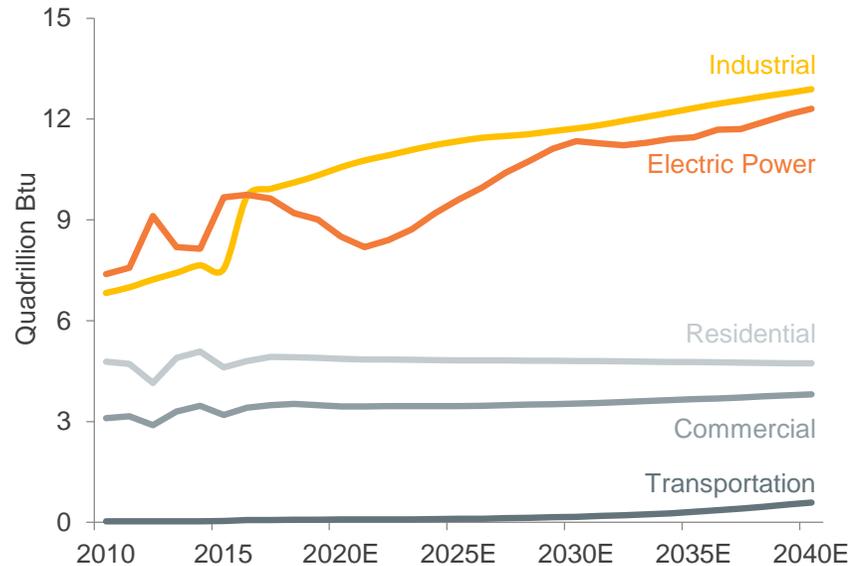
Source: EIA

- Sentiment has improved as the EIA has lowered its 2017E production forecast and increased its estimate for global demand growth
- These new estimates signal confidence that the global oil glut is finally easing
- Improved demand outlook, weaker oil and gas investment, and the prospect of OPEC prolonging production cuts indicate a tighter market in 2018E
- EIA expects modest growth in WTI to move from \$51/bbl in 4Q 2017 to \$52/bbl in 4Q 2018
- Growth in exports and consumption will contribute to natural gas output rising from \$3.07/MMBtu in 4Q 2017 to \$3.23/MMBtu in 4Q 2018



1 Improving Oil & Gas Market Fundamentals ... (cont'd)

U.S. natural gas consumption by sector, 2014 – 2040E



Source: EIA

Growth in exports and consumption point to higher Henry Hub natural gas prices in 2018



Source: EIA

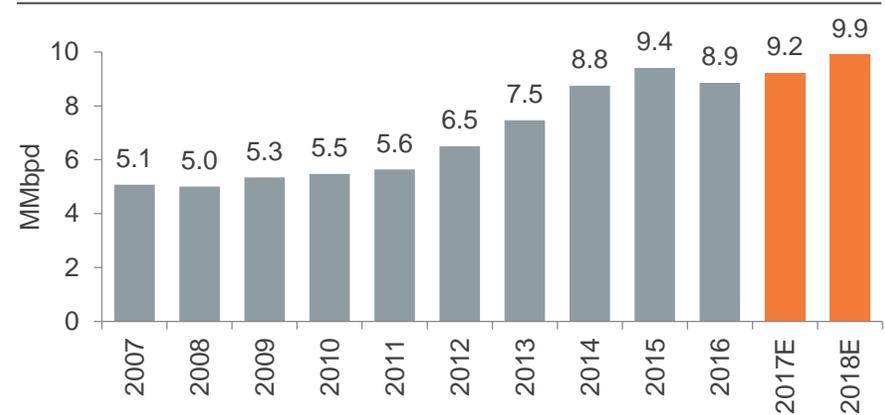
- Industrial and electric power sectors will drive demand for natural gas over the next 20 years
- In early 2000, 16% of electricity was generated by natural gas and 52% by coal, while in 2017 it is expected that 31% of electricity will be generated by natural gas and 31% by coal
- Natural gas storage is projected to end the 2017E injection season at below average levels, creating a tighter supply/demand balance moving into 2018E and upward pressure on natural gas prices



1 ... Drive U.S. Shale Production ...

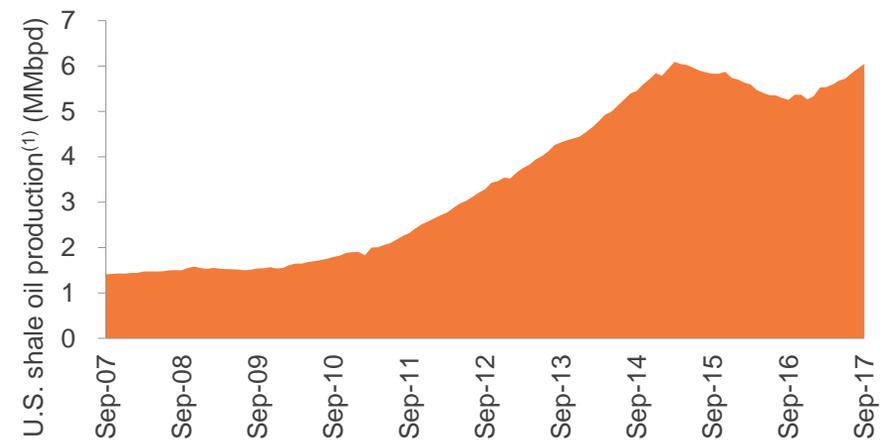
- According to EIA forecasts, U.S. crude oil production is set to achieve 9.2 MMbpd and 9.9 MMbpd levels in 2017E and 2018E respectively vs. 8.9 MMbpd in 2016, driven by a corresponding recovery of shale oil production
- Shale oil production has proven resilient despite the lower oil price environment, maximizing output potential at lower profitability levels
- U.S. shale oil production reached the pre-crisis level of approximately 6 MMbpd in September 2017, whereas total U.S. crude oil production averaged approximately 9 MMbpd in Q3 2017

U.S. crude oil production



Source: EIA

U.S. shale oil production⁽¹⁾ is growing



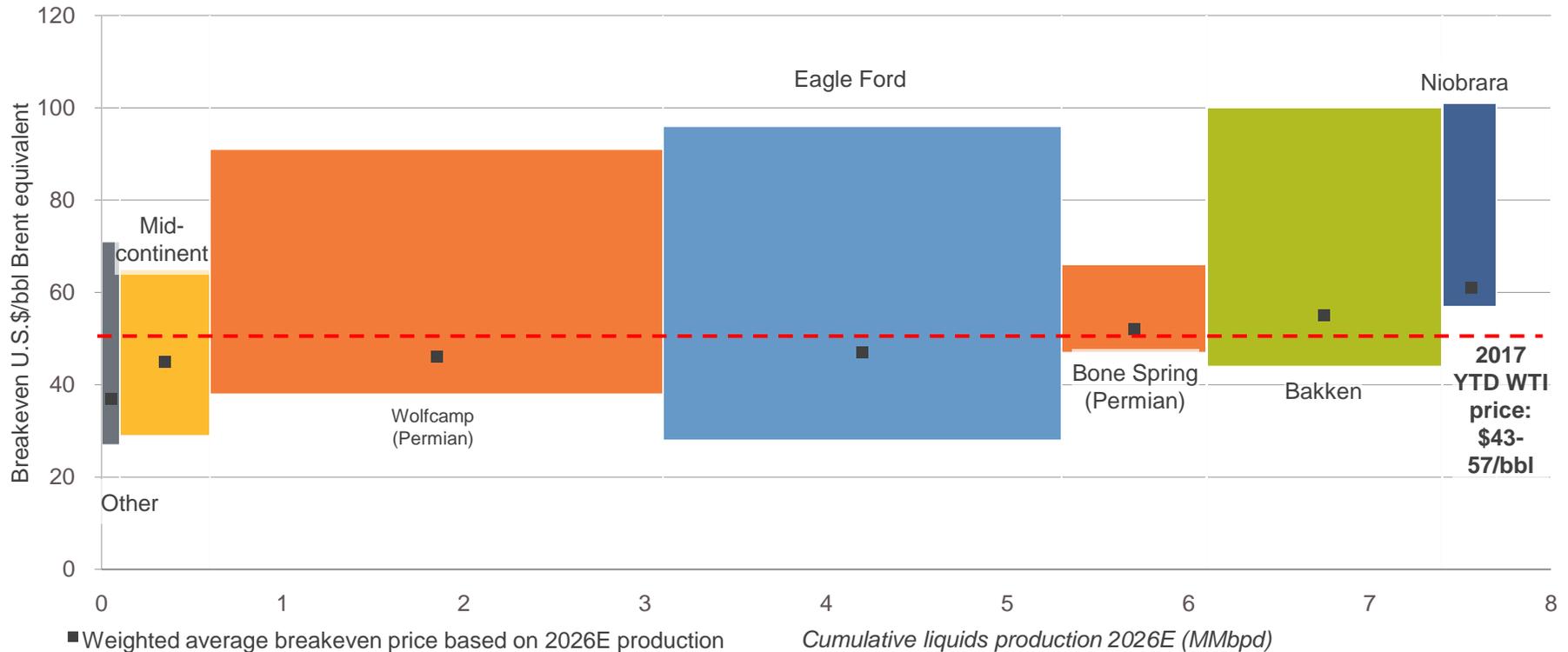
Source: EIA

Notes: (1) Includes total oil production from Anadarko, Appalachia, Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian & Utica



1 ... Which is Sustainable in the Long Term at Current Oil Price Levels

Continental U.S. tight oil cost curve 2026E



Source: Wood Mackenzie

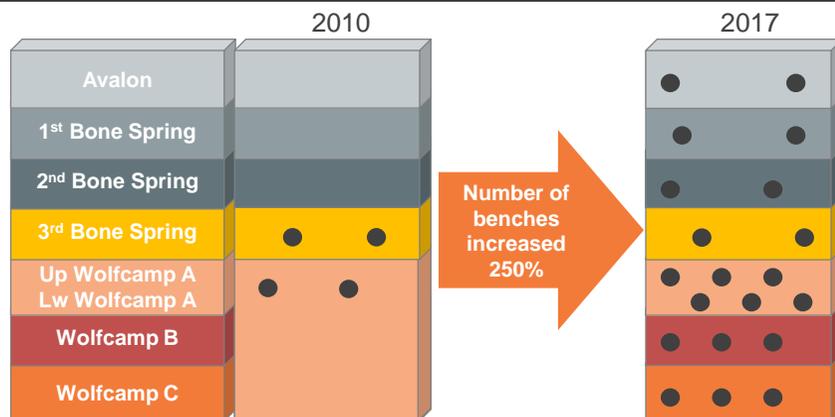
- During the past 2 years, U.S. shale players have managed to decrease production costs
 - Drilling technology has evolved, driven by efficiency requirements
 - Key changes included higher intensity of drilling, longer laterals, significantly higher usage of proppants and equipment and well string standardization
- Despite a wide variation between plays, many U.S. shale producers are profitable at oil prices in the U.S.\$50-60/bbl range in the long term
 - A number of shale plays, incl. Permian and Eagle Ford basins as well as Mid-continent region of the U.S., are profitable at around U.S.\$45-50/bbl



2 Driving Increasing Unconventional Horizontal Drilling ...

- Horizontal and directional drilling reached almost 90% in 2016 and has nearly doubled for the last 10 years
- According to Spears & Associates estimates, U.S. drilling and completion spending will almost double YoY in 2017E and increase by 13% YoY in 2018E
- Growing number of available productive benches means that for any drilled well there is the potential for additional drilling activity further down the line

Potential for additional drilling activity: Permian basin (Delaware sub-basin) example



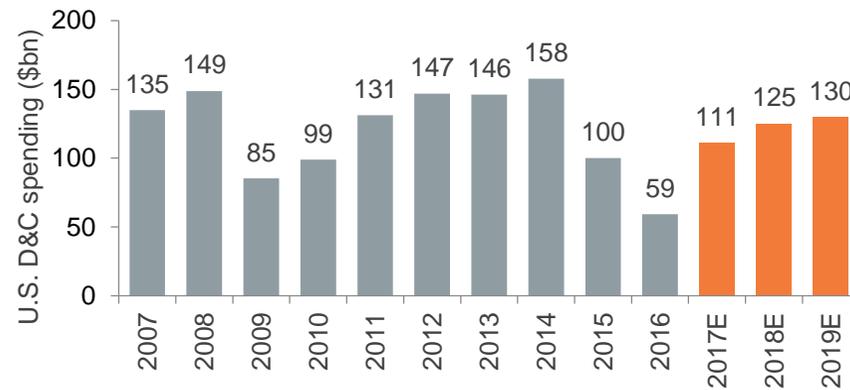
Source: Spears & Associates, Drilling Production Report as of June 2017

U.S. active rig count by type of drilling



Source: Baker Hughes

U.S. drilling and completion spending

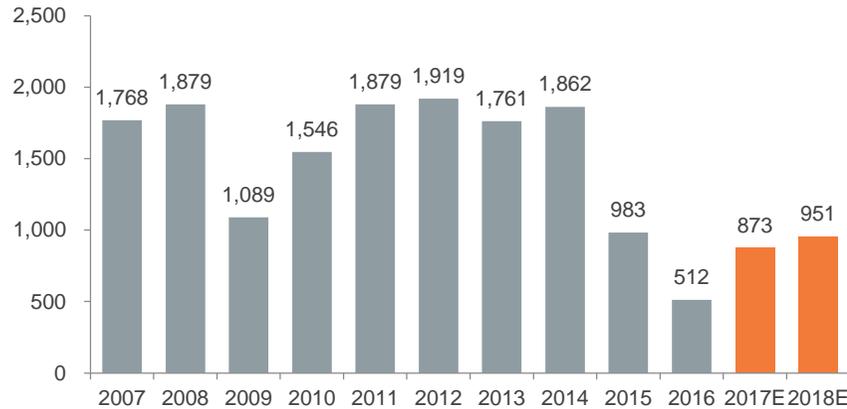


Source: Spears & Associates



3 ...Growing Rig Count and Footage Drilled per Rig ...

U.S. average annual rig count⁽¹⁾



Source: Baker Hughes, BTU Analytics, Raymond James, Spears & Associates, Inc.

Footage drilled per rig



Source: Spears & Associates, Inc.

- Rig count is expected to increase by 70% YoY in 2017E and 9% YoY in 2018E
- After a slowdown in 4Q 2017 caused by exhaustion of E&P budgets, the consensus forecast indicates that the rig count will average in the mid-900s during 2018E
- Number of rigs used for horizontal drilling continued to increase in 2017 YTD, according to Baker Hughes
- According to Spears & Associates, over the past 6 years footage drilled per rig grew at a CAGR of 11%

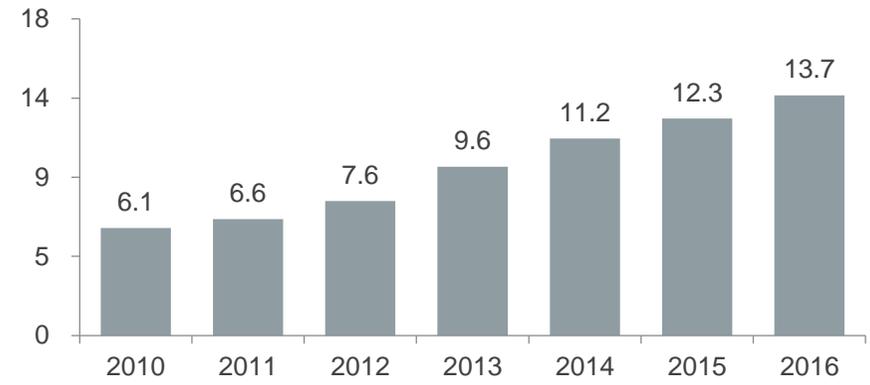
Notes: (1) Numbers for 2007 – 2016 based on Baker Hughes data, numbers for 2017E and 2018E based on median between BTU Analytics, Raymond James, and Spears & Associates estimates



4 5 ... Coupled with More Wells Drilled per Rig and Longer Laterals ...

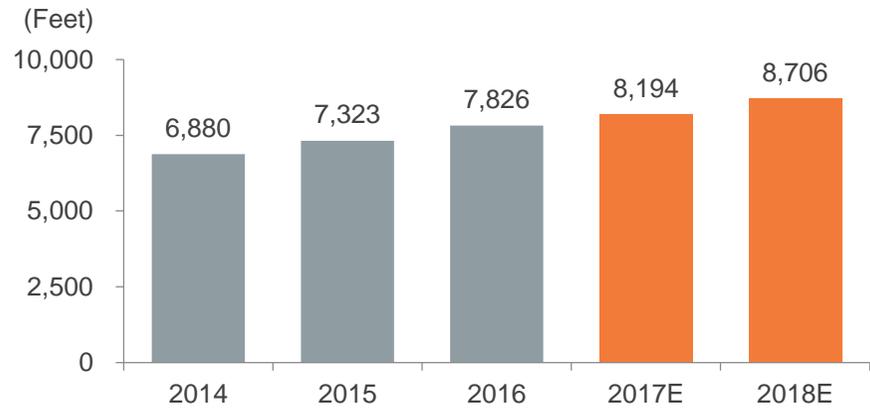
- Pad drilling operations allow operators to drill more horizontal wells per rig per year
- In the U.S., the average number of horizontal wells drilled per rig has increased from an average of 6.1 wells per rig in 2010 to an average of 13.7 wells per rig in 2016, according to Coras Oilfield Research
- Increased lateral lengths and greater drilling complexity are driving greater spending on technologically advanced drilling consumables, such as OCTG with premium and semi-premium connections
 - According to Spears & Associates, these average lengths are set to increase from 7,826 feet in 2016 to 8,706 feet in 2018E

Horizontal wells drilled per rig



Source: Coras Oilfield Research, Baker Hughes Rig Count

Average U.S. lateral length



Source: Spears & Associates, Inc.

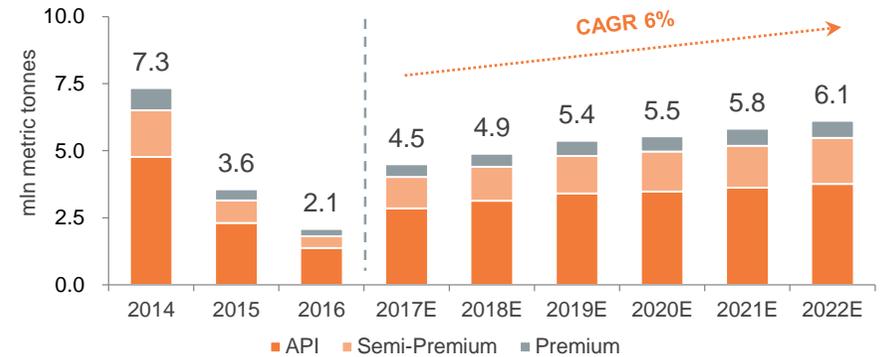




6 ... Resulting in OCTG Consumption Growth ...

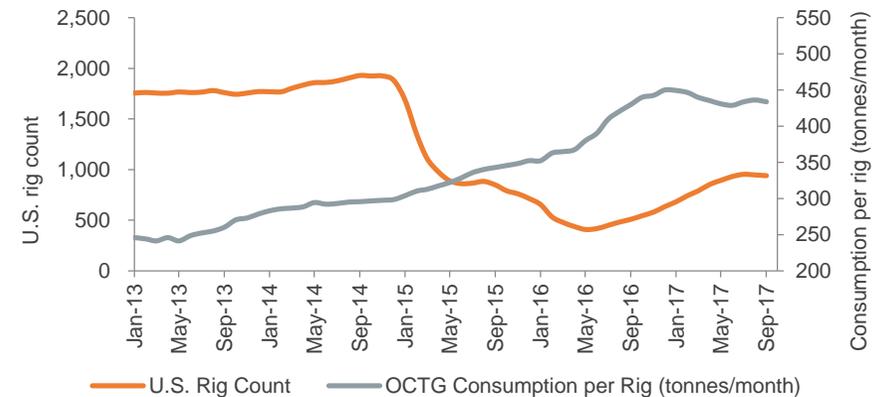
- U.S. consumption of OCTG is expected to reach 4.5 mln metric tonnes in 2017E, more than twice 2016
- Total demand for OCTG in the U.S. is projected to grow at a CAGR of 6% YoY in 2017E – 2022E
- OCTG consumption per rig has nearly doubled since January 2013, allowing for significant recovery in the sector despite having fewer than half of the rigs in operation
- Seamless pipe has increased its share of total U.S. pipe volume as the result of increased horizontal and directional drilling as well as longer laterals
- Based on the OCTG Situation Report, seamless pipe now represents over 70% of total U.S. OCTG shipments as of July 2017

Total U.S. OCTG consumption



Source: Preston Pipe, Baker Hughes

OCTG consumption per rig



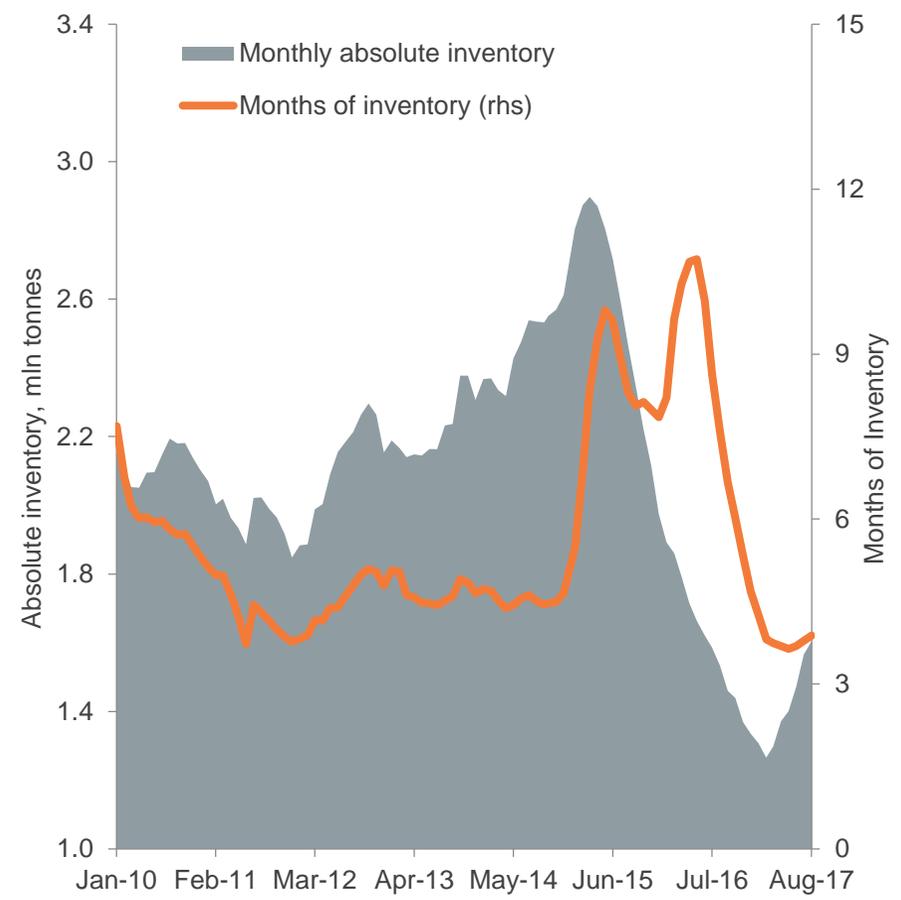
Source: Preston Pipe, Baker Hughes



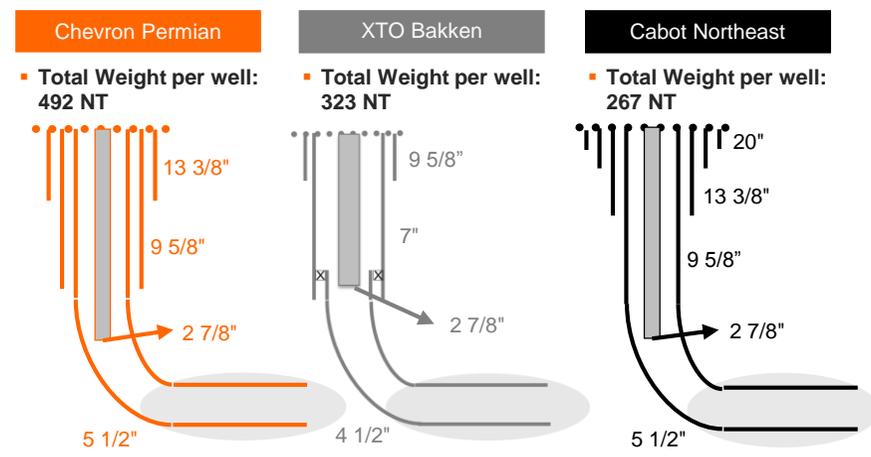
6 ... Inventory Normalization, Higher Efficiency ...

- US OCTG inventories have reached the normalized levels of 2014 as shipments outpace consumption
- Despite months of inventory having reached 2014 levels, the monthly absolute inventory is meaningfully below pre-crisis levels due to higher industry efficiency:
 - Design has standardized resulting in more obsolete inventory
 - E&P investment has spilled over into the management of inventory: the amount of pipe on the ground that was typically required to maintain a certain rig level has decreased from previous cycles

Increased shipment levels bring months-of-inventory back to pre-downturn levels



Standardized diameters of OCTG piping



Source: Company data

Source: Preston Pipe & Tube Report

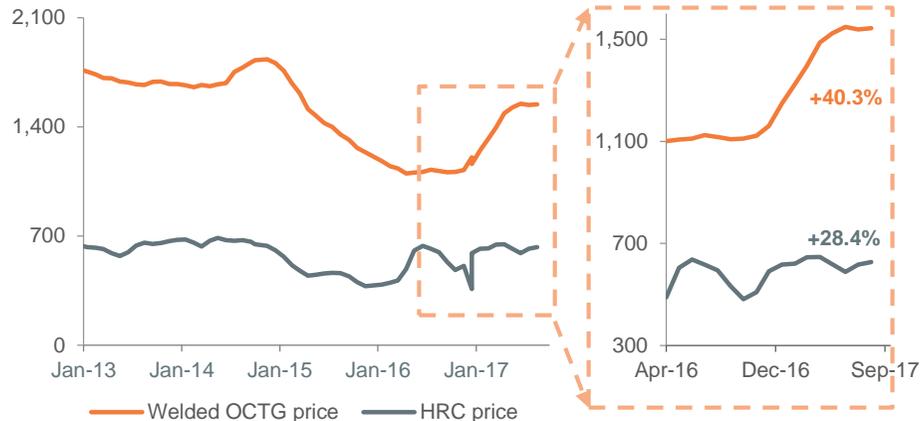




6 ... and Stabilization of OCTG Prices in 3Q 2017

U.S. distributor welded OCTG vs. HRC prices

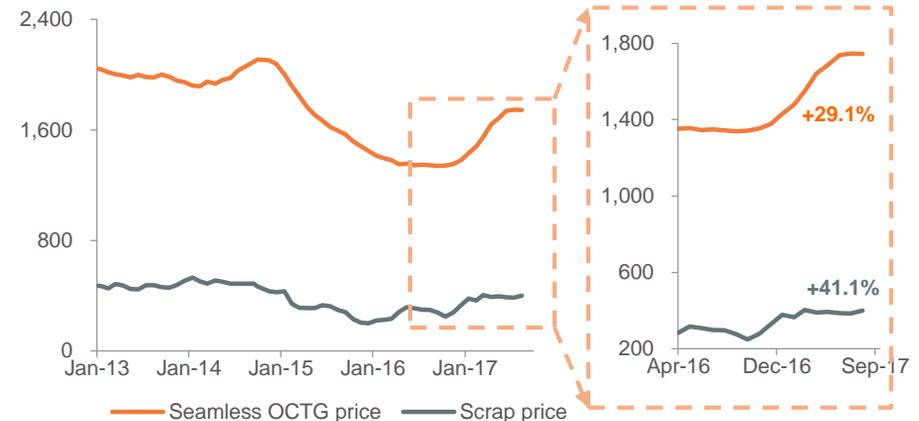
(U.S.\$/tonne, monthly average)



Source: Pipe Logix, AMM

U.S. distributor seamless OCTG vs. scrap prices

(U.S.\$/tonne, monthly average)



Source: Pipe Logix, AMM

- Prices have rallied from the low in April 2016. Since the trough, welded OCTG prices increased by 40% and seamless OCTG prices – by almost 30%
- Prices have stabilized in recent months: average welded prices were up 0.3% MoM and seamless prices were slightly down by 0.1% MoM
- Raw material prices demonstrated relative flat growth in 3Q 2017 over 2Q 2017: average HRC prices in 3Q 2017 were up 0.7% QoQ and scrap prices were up 0.5% QoQ



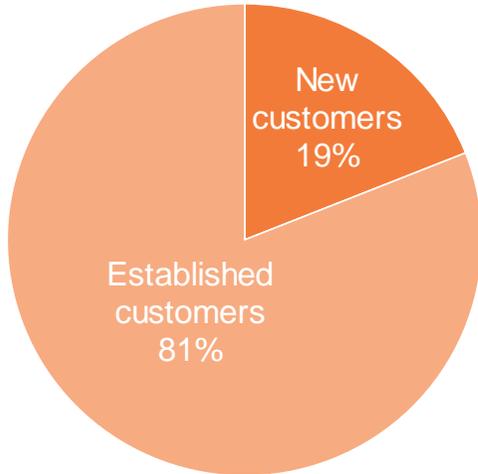
American Division Performance Update



Results of New Go-to-Market Model in 2017

Increasing customer base and market share

OCTG Customer base in 2017E



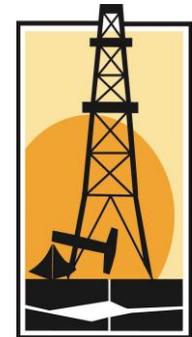
- New customers in 2017 (January - August 2017) represent 19% of our current OCTG customer base
- The large majority of the new customers are in the U.S., with some others in Canada and Latin America

Source: Company data



TUG HILL
OPERATING

SABLE
PERMIAN RESOURCES LLC



AETHON 

CAERUS
OIL AND GAS LLC



Cost Efficiency in Operations

- Successful restart and ramp up of welding operations with minimalist structure
- 100% increase in production in 2017 in comparison to 2016
- Effective operations management: matching staffing to utilization level, aggressive performance targets, lean manufacturing techniques, campus mentality (production consolidation), “make to order” approach and decreased number of customer claims
 - Matching labour to the utilization of operating facilities allows us to effectively control both hourly and salaried labour cost in the recovering scenario. 100% projected production increase vs 74% projected increase in total labour cost in 2017
 - Process Engineering function installed at each operating facility to ensure implementation of Lean Manufacturing. Lean manufacturing techniques support variable cost and capacity improvements
 - Quality improvement: 82% reduction in number of customer claims in 2017 compared to 2014



Key Drivers of Financial Performance

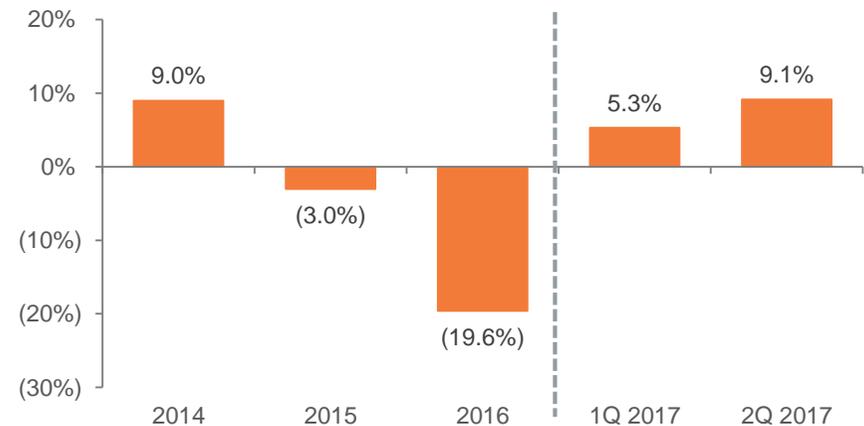
Key drivers

- Increasing well count and service intensity
- Increasing footage drilled per horizontal well
- Increasing OCTG intensity per rig
- Volume of pipe sold
- Pricing leverage recovering given improved inventory fundamentals
- Improving margins from increasing sales of connections, including premium integral connections

Continuous cost reduction program: 2017 initiatives

- Seamless pipe production: **\$30/NT cost reduction**
- Seamless pipe finishing: **\$6/NT - \$21/NT cost reduction**
- Welded pipe production and finishing: **\$21/NT - \$22/NT cost reduction**

Adjusted EBITDA margin

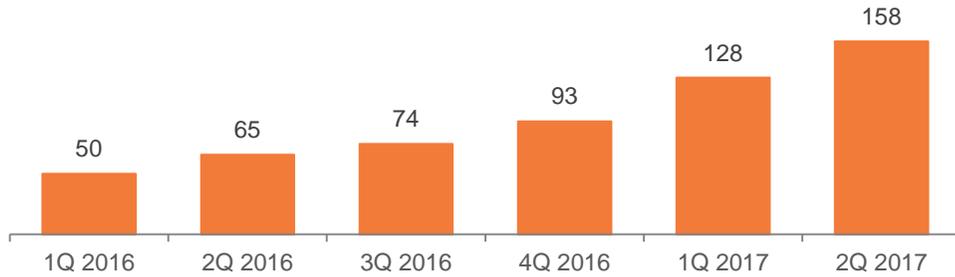


Source: Company data



Potential Upside for Business

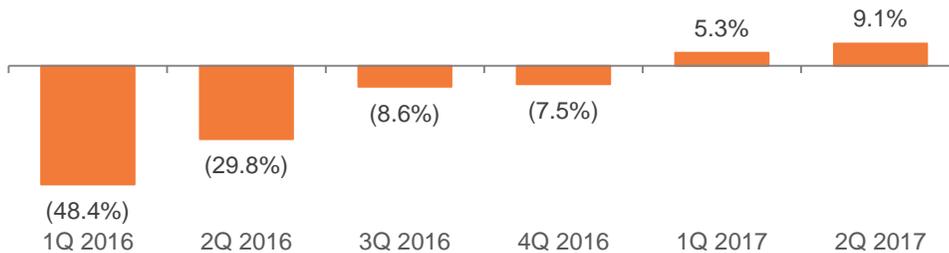
Sales volume (thousand tonnes)



Adjusted EBITDA (U.S.\$ mln)



Adjusted EBITDA margin



Source: Company data

- Rig count reached the bottom in May 2016 at 404 rigs, but has grown by almost 540 rigs since then
- Average number of rigs in 2Q 2017 increased by 21% QoQ, following the recovery in oil prices
- U.S. domestic crude production averaged 9.4 MMbpd in July 2017, up 0.9 MMbpd from the trough reached in July 2016
- These factors are reflected in the IPSCO's financial performance:
 - Sales volume demonstrate strong upward trend sequentially
 - Adjusted EBITDA and EBITDA margin troughed in 1Q 2016, then recovered in 2Q-4Q 2016 & 1H 2017



Conclusion

- OCTG demand is growing driven by increasing shale production and a subsequent hike in horizontal and unconventional drilling activity
- Oil and gas demand/export are growing, whereas price has remained robust for over a year, with E&Ps adjusted to price
- Gains in cost control, yield, operational efficiencies here to stay
- Regional marketing efforts continue to bring both new customers and volumes
- Standardization of onshore well design leads to efficiencies, from production to working capital
- «Recovery and ramping up» becoming «Positioning and powering ahead»



Q & A

