

TMK

Financial Presentation

2Q and 1H 2012 IFRS Results

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2Q 2012 Sales by Segment and Group of Product



Thousand Tonnes	Russia		Americas		Europe		Total	
	2Q 2012	QoQ, %	2Q 2012	QoQ, %	2Q 2012	QoQ, %	2Q 2012	QoQ, %
Seamless Pipe	546	9%	69	11%	48	9%	663	9%
OCTG	319	21%	62	13%	-	n/a	381	20%
Line Pipe	129	-7%	4	100%	8	14%	141	-4%
Industrial Pipe	98	-4%	3	-40%	40	8%	141	-2%
Welded Pipe	270	24%	168	-6%	-	n/a	438	11%
OCTG	-	n/a	108	10%	-	n/a	108	10%
Line Pipe	72	18%	23	-49%	-	n/a	95	-10%
Industrial Pipe	89	5%	37	3%	-	n/a	126	4%
Large Diameter	109	54%	-	n/a	-	n/a	109	54%
Total Pipes	816	13%	237	-2%	48	9%	1,101	10%

Source: TMK data

1H 2012 Sales by Segment and Group of Product



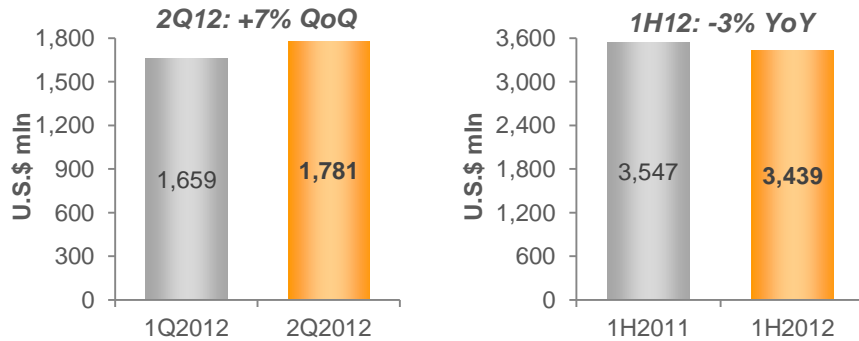
Thousand Tonnes	Russia		Americas		Europe		Total	
	1H 2012	YoY, %	1H 2012	YoY, %	1H 2012	YoY, %	1H 2012	YoY, %
Seamless Pipe	1,049	6%	131	-10%	92	-3%	1,272	3%
OCTG	582	18%	117	-9%	-	n/a	699	12%
Line Pipe	267	-6%	6	-40%	15	15%	288	-6%
Industrial Pipe	200	-8%	8	0%	77	-4%	285	-7%
Welded Pipe	487	-26%	347	20%	-	n/a	834	-12%
OCTG	-	n/a	206	19%	-	n/a	206	19%
Line Pipe	133	20%	68	62%	-	n/a	201	31%
Industrial Pipe	174	7%	73	-3%	-	n/a	247	4%
Large Diameter	180	-53%	-	n/a	-	n/a	180	-53%
Total Pipes	1,536	-7%	478	10%	92	-3%	2,106	-3%

Source: TMK data

2Q 2012 and 1H 2012 Summary Financial Highlights

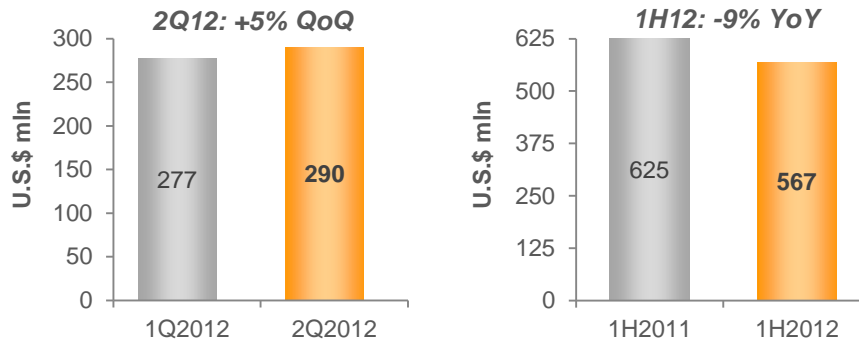


Revenue



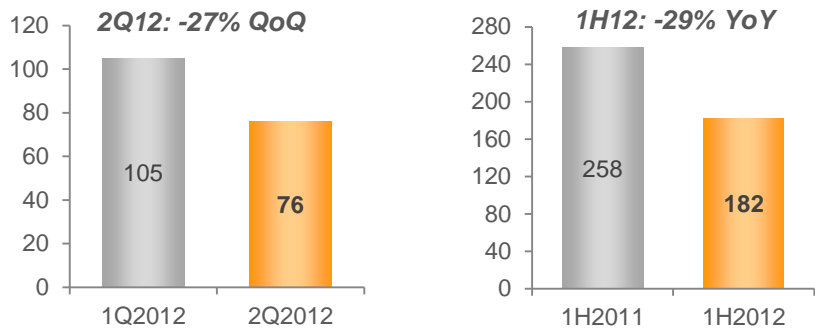
- 2Q 2012 revenue increased QoQ primarily due to both seamless OCTG pipe and large-diameter (LD) pipe sales growth
- 1H 2012 revenue decreased YoY mainly due to a decline in LD pipe sales partially offset by growth in sales of seamless and welded OCTG and welded line pipe

Adjusted EBITDA⁽¹⁾



- 2Q 2012 EBITDA increased QoQ due to volumes increase and lower operating expenses. EBITDA Margin was 16%
- 1H 2012 EBITDA decreased YoY due to lower welded pipe volumes, the negative effect of currency translation and higher operating expenses. EBITDA Margin was 16%

Net Income



- 2Q 2012 net income decreased QoQ being negatively impacted by a \$26 million foreign exchange loss vs. a \$31 million gain in 1Q 2012
- 1H 2012 net income declined YoY as a result of operating expenses growth

(1) Adjusted EBITDA is calculated as profit/loss before tax plus finance costs minus finance income plus depreciation and amortization adjusted for non-cash items

Note:

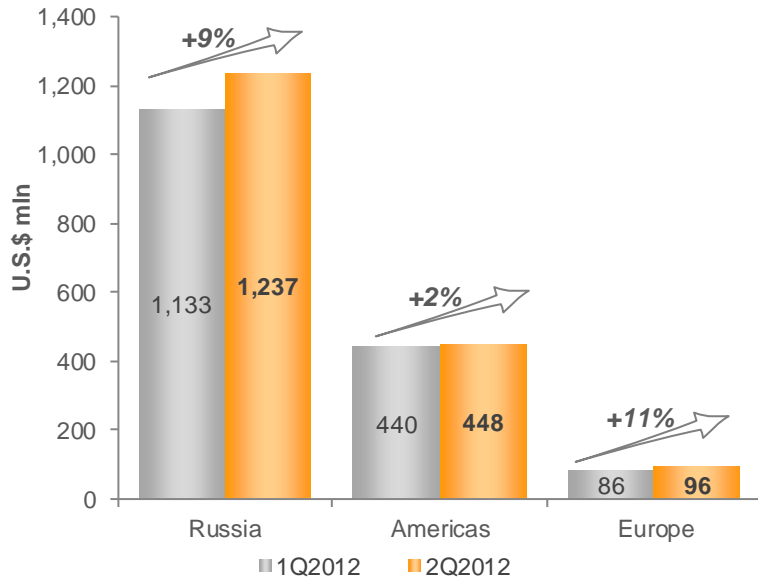
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Source: TMK Consolidated IFRS Financial Statements, TMK data

2Q 2012 Revenue by Division

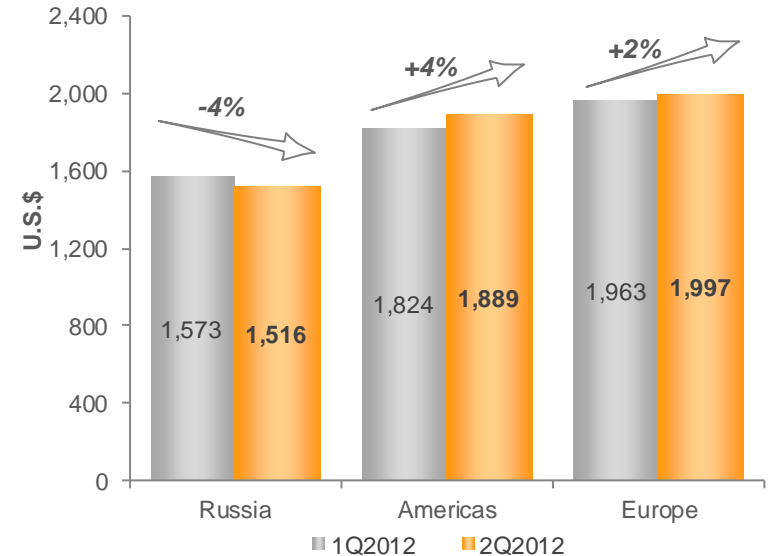


2Q 2012 Revenue



- Russian division grew mainly due to the growth of seamless OCTG volumes, LD and welded line pipes
- American division increased primarily as a result of higher volume in the seamless pipe business despite being negatively affected by a drop in welded line pipe sales, due to downtime for a capital project
- European division increased due to higher sales of seamless industrial pipe and steel billets

2Q 2012 Revenue per Tonne*



* Revenue per tonne for all three divisions include other revenue

- Russian division revenue per tonne decreased because of the higher proportion of LD pipe sales, the negative effect of currency translation and product mix
- American division experienced higher pricing on improving mix
- European division revenue per tonne increased due to other revenue growth mainly as a result of higher steel billets sales

Source: Consolidated IFRS Financial Statements, TMK data

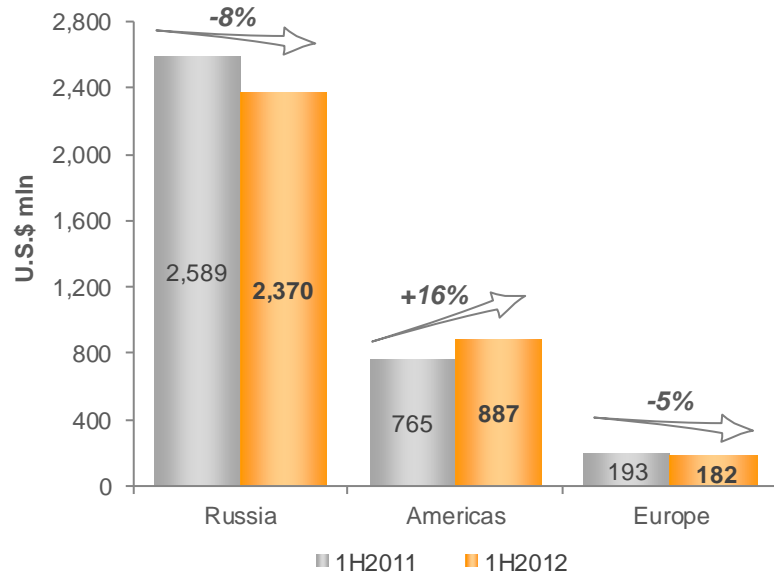
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1H 2012 Revenue by Division



1H 2012 Revenue



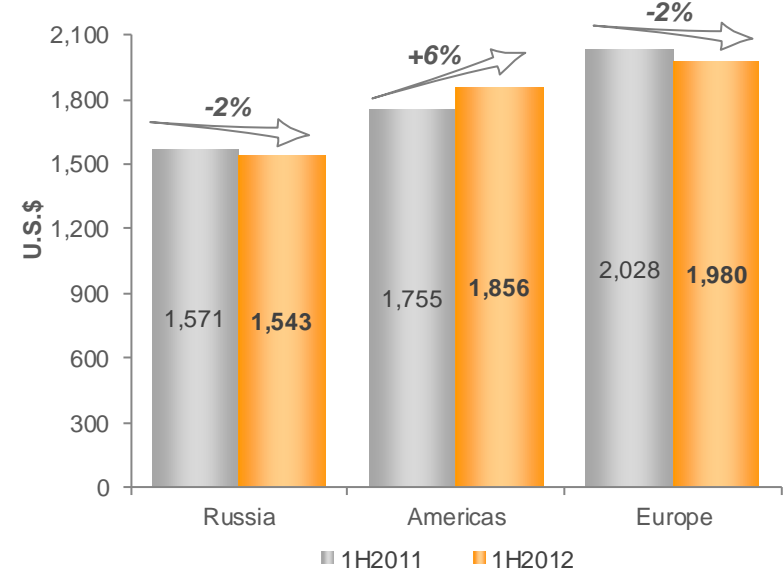
- Russian division decreased mainly due to the decline of welded pipe volumes as a result of the fall in LD pipe sales and the negative currency translation effect
- American division increased mainly due to higher volumes in welded pipes, as well as better pricing and improved product mix in both the welded and seamless businesses
- European division decreased due to effect of currency translation which was partially offset by higher average selling prices and improved product mix

Source: Consolidated IFRS Financial Statements, TMK data

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1H 2012 Revenue per Tonne*



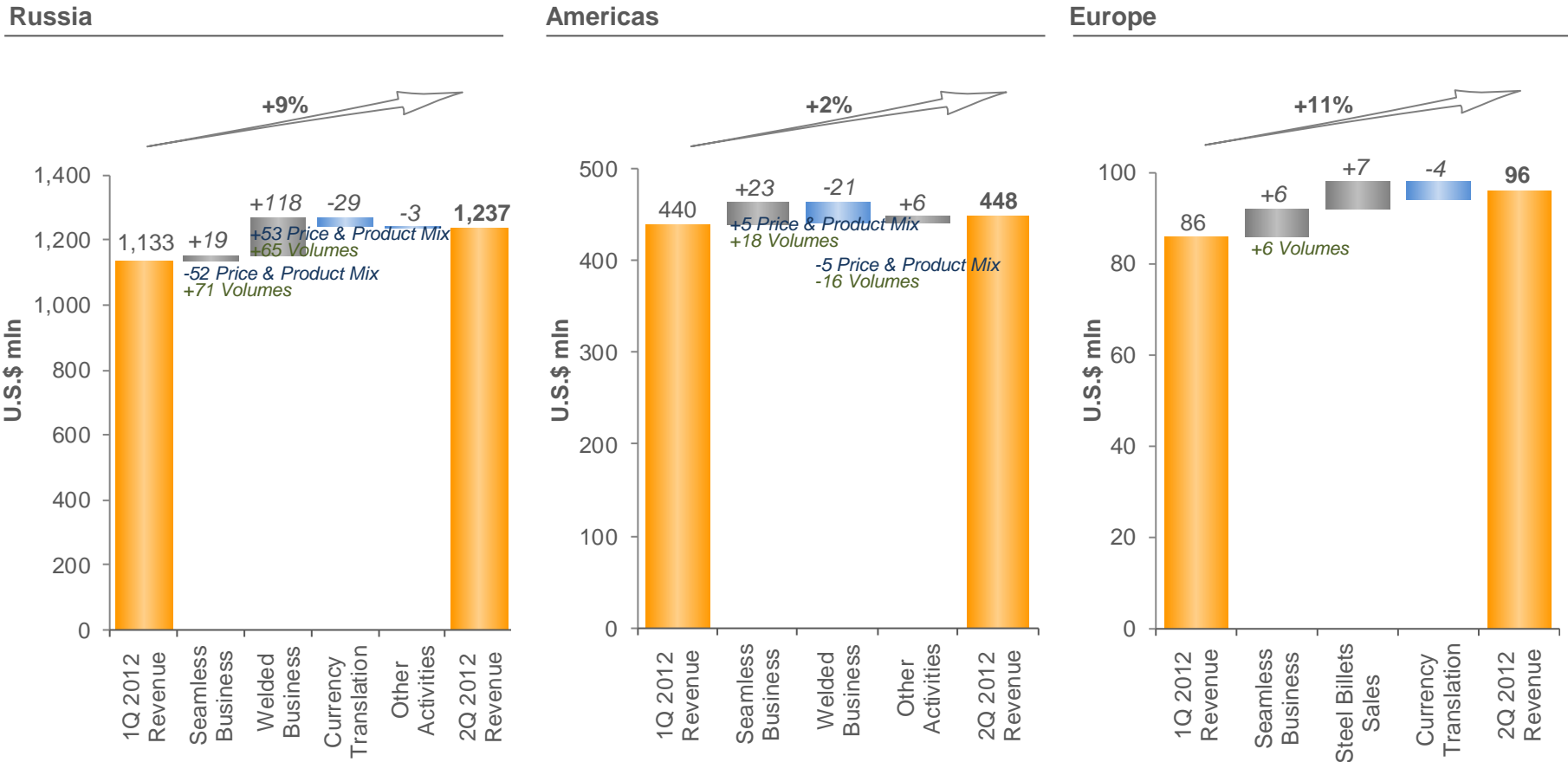
* Revenue per tonne for all three divisions include other revenue

- Russian division revenue per tonne decreased mainly due to the negative effect of currency translation
- American division revenue per tonne increased due to better pricing and product mix
- European division revenue per tonne declined due to the negative currency translation effect

2Q 2012 Revenue Growth by Segments and Groups of Products



Revenue growth in the Russian division was driven primarily by higher welded volumes, due to large-diameter business, and pricing. Increasing seamless volumes were virtually offset by declining welded volumes in the American division. The European division improved across all businesses but faced negative currency translation.



Source: Consolidated IFRS Financial Statements, TMK data

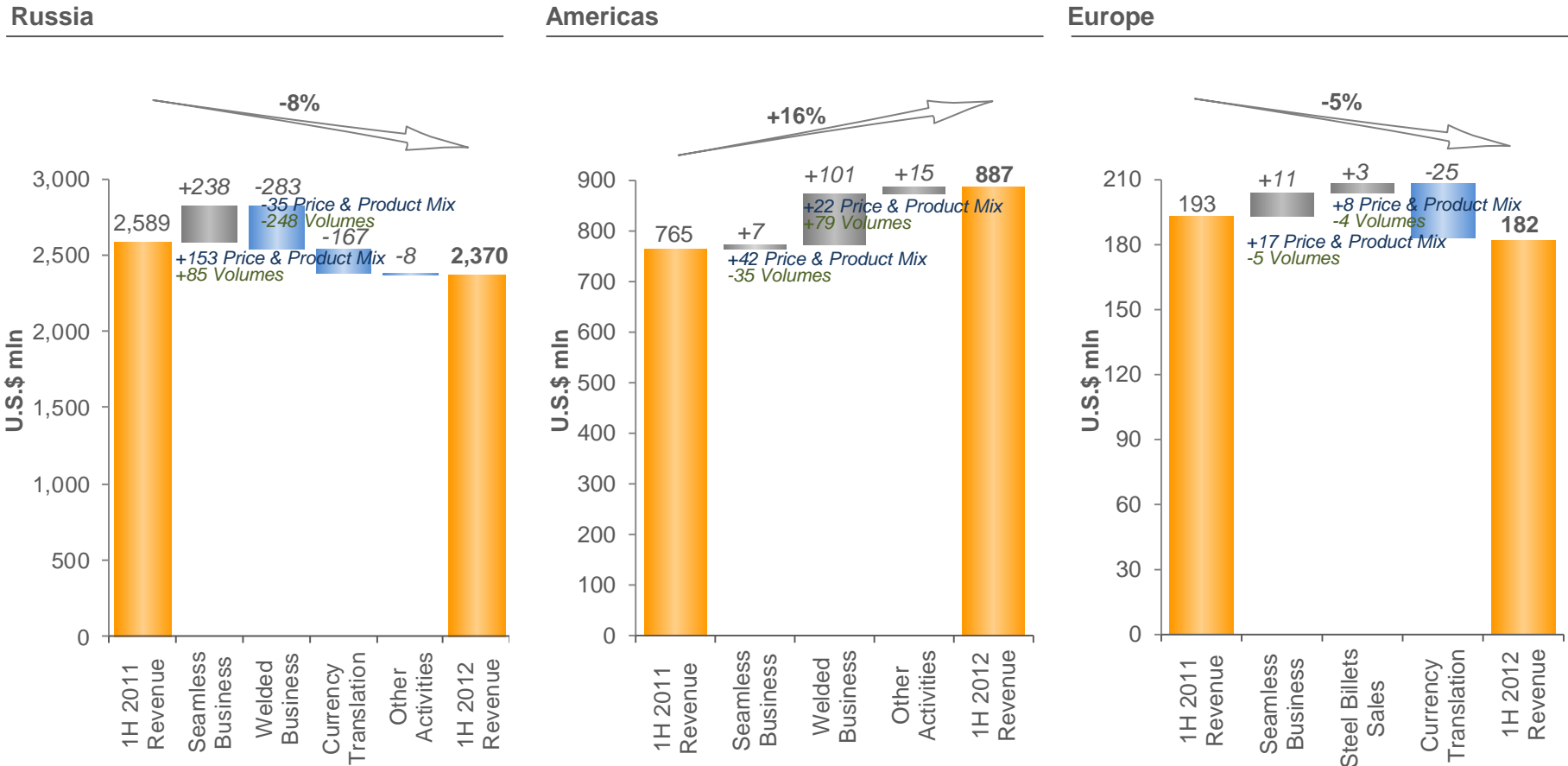
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1H 2012 Revenue Growth by Segments and Groups of Products



Revenue growth in the Russian division was driven by better pricing and product mix and higher sales volumes in the seamless business, while lower large-diameter pipe volumes offset those gains. In the American division, revenue was up primarily on welded volumes. The European division is down due to the negative impact of currency translation, being partially offset by price and product mix.



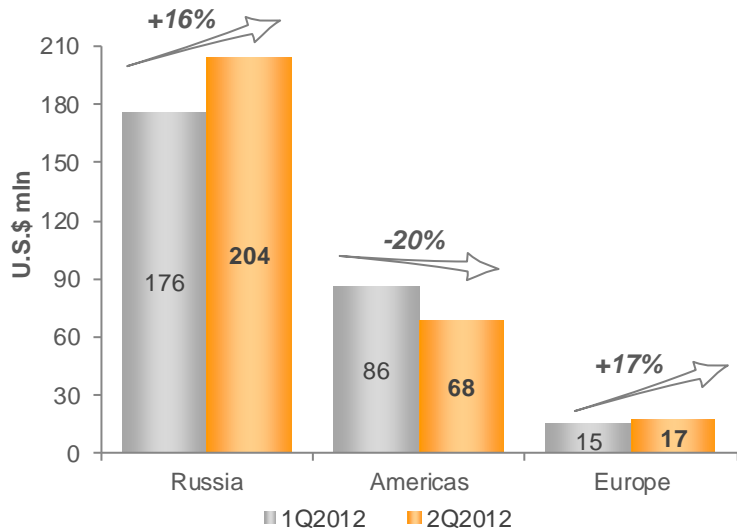
Source: Consolidated IFRS Financial Statements, TMK data

Note:

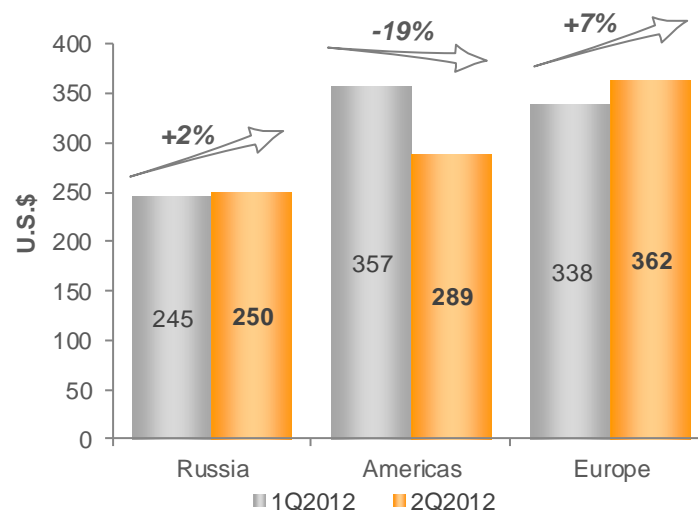
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2Q 2012 Adjusted EBITDA by Division vs. Prior Quarter

2Q 2012 Adjusted EBITDA



2Q 2012 Adjusted EBITDA per Tonne



2Q 2012 Adjusted EBITDA Margin



- Russian division EBITDA increased due to higher volumes, better pricing and product mix as well as lower operating expenses
- American division EBITDA decreased as a result of downtime for a capital project in our Wilder, Kentucky welded plant, increases in hot rolled coil prices in the early part of the year and continued pressure from imports
- European division EBITDA increased due to higher sales of seamless pipe and favorable changes in price and product mix

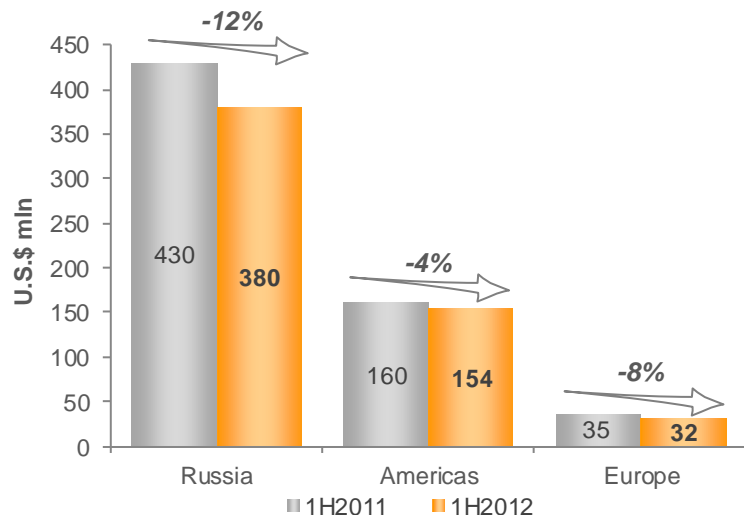
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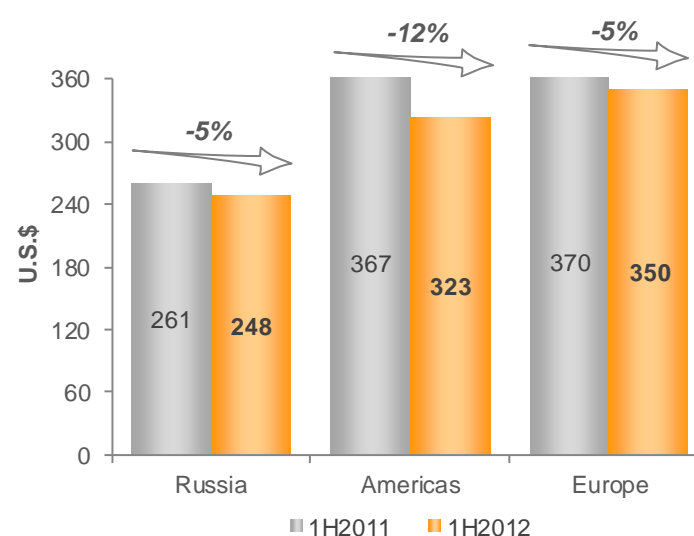
Source: TMK Consolidated IFRS Financial Statements, TMK data

1H 2012 Adjusted EBITDA by Division vs. Prior Year

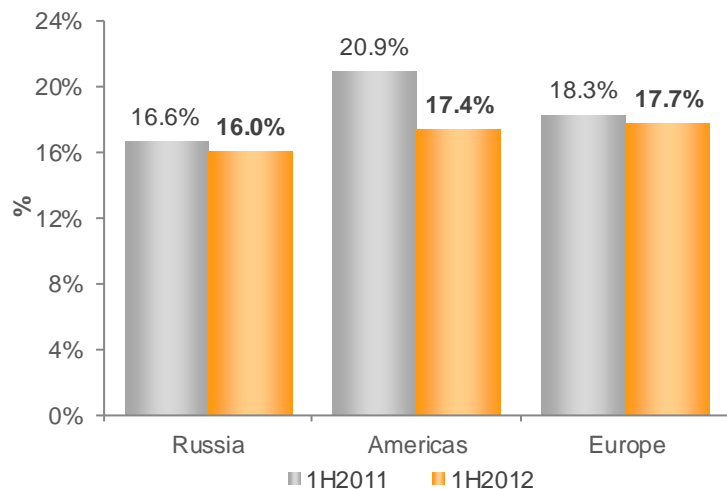
1H 2012 Adjusted EBITDA



1H 2012 Adjusted EBITDA per Tonne



1H 2012 Adjusted EBITDA Margin



- Russian division EBITDA decreased following a downward trend in revenue and gross profit, lower LD pipe volumes and higher operating expenses as well as negative effect of currency translation
- American division EBITDA decreased due to higher hot rolled coil prices and increasing pressure from imports limiting the ability to improve pricing in welded products
- European division EBITDA declined mainly due to negative effect of currency translation

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Seamless – Core to Profitability

	U.S.\$ mln (unless stated otherwise)	2Q 2012	QoQ, %	1H 2012	YoY, %
SEAMLESS	Volumes- Pipes, kt	663	+9%	1,272	+3%
	Net Sales	1,084	+2%	2,143	+6%
	Gross Profit	285	-7%	592	+3%
	Margin, %	26%		28%	
	Avg Net Sales / Tonne (U.S.\$)	1,635	-6%	1,685	+3%
	Avg Gross Profit / Tonne (U.S.\$)	430	-15%	465	+0%
WELDED	Volumes- Pipes, kt	438	11%	834	-12%
	Net Sales	616	+17%	1,142	-17%
	Gross Profit	89	-6%	183	-21%
	Margin, %	14%		16%	
	Avg Net Sales / Tonne (U.S.\$)	1,406	+6%	1,369	-6%
	Avg Gross Profit / Tonne (U.S.\$)	203	-15%	219	-10%

- Sales of seamless pipes generated **61%** of total Revenue in 2Q 2012 and **62%** of total Revenue in 1H 2012
- Gross Profit from seamless pipe sales represented **73%** of 2Q 2012 total Gross Profit and **74%** of 1H 2012 total Gross Profit
- **26% Gross Profit Margin** from seamless pipes sales in 2Q 2012 and **28% Gross Profit Margin** in 1H 2012
- While welded pipe may be experiencing higher revenue growth for the year, seamless pipe continues to be core to the Company's profitability

Source: Consolidated IFRS Financial Statements, TMK data

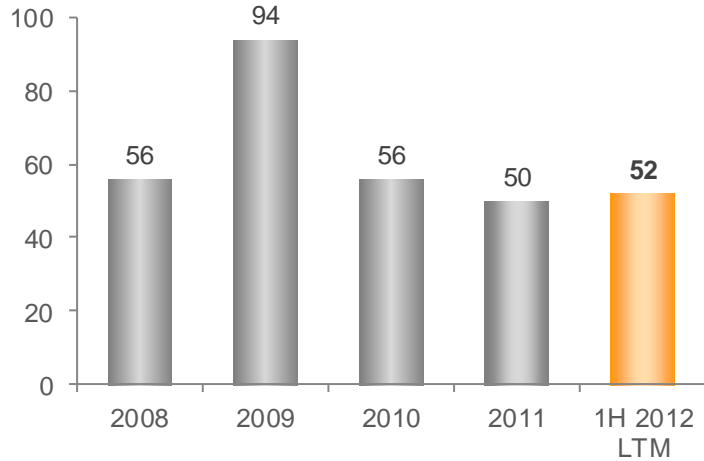
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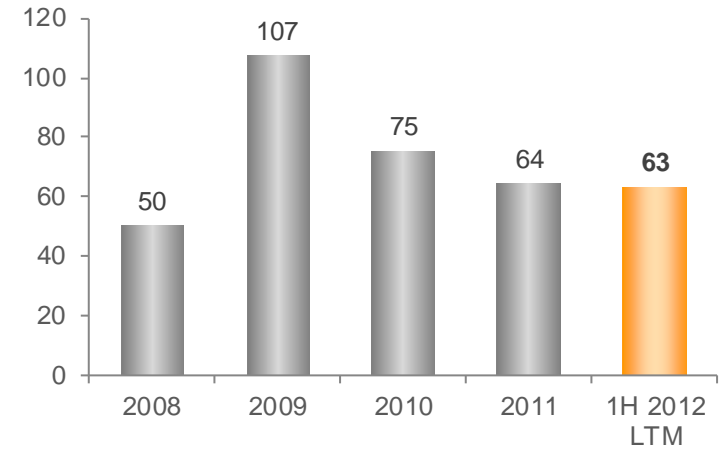
Working Capital Position



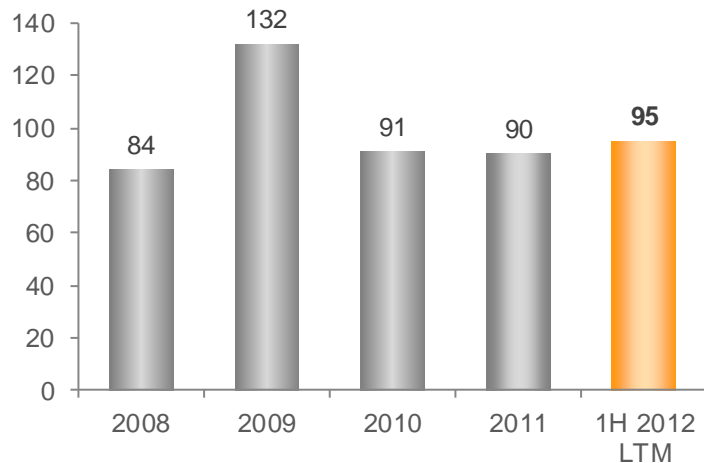
Accounts Receivable (days)



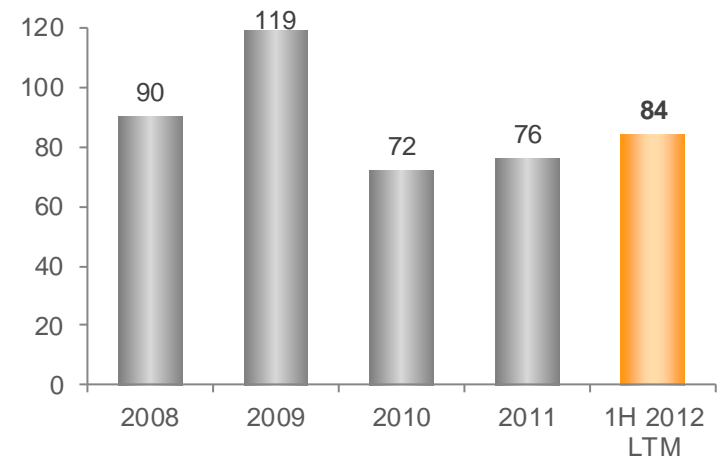
Accounts Payable (days)



Inventories (days)



Cash Conversion Cycle (days)



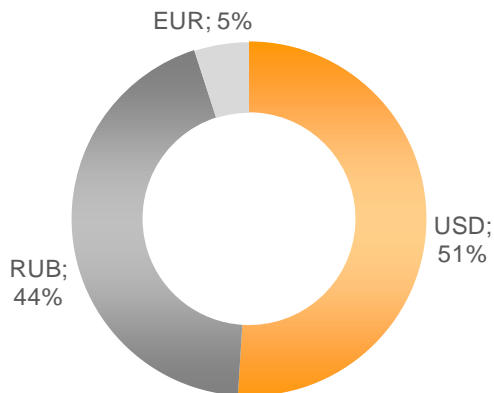
Source: TMK data

Debt Profile

TMK Continues to Optimize its Capital Structure and Develop a Flexible, Cost-effective Debt Portfolio

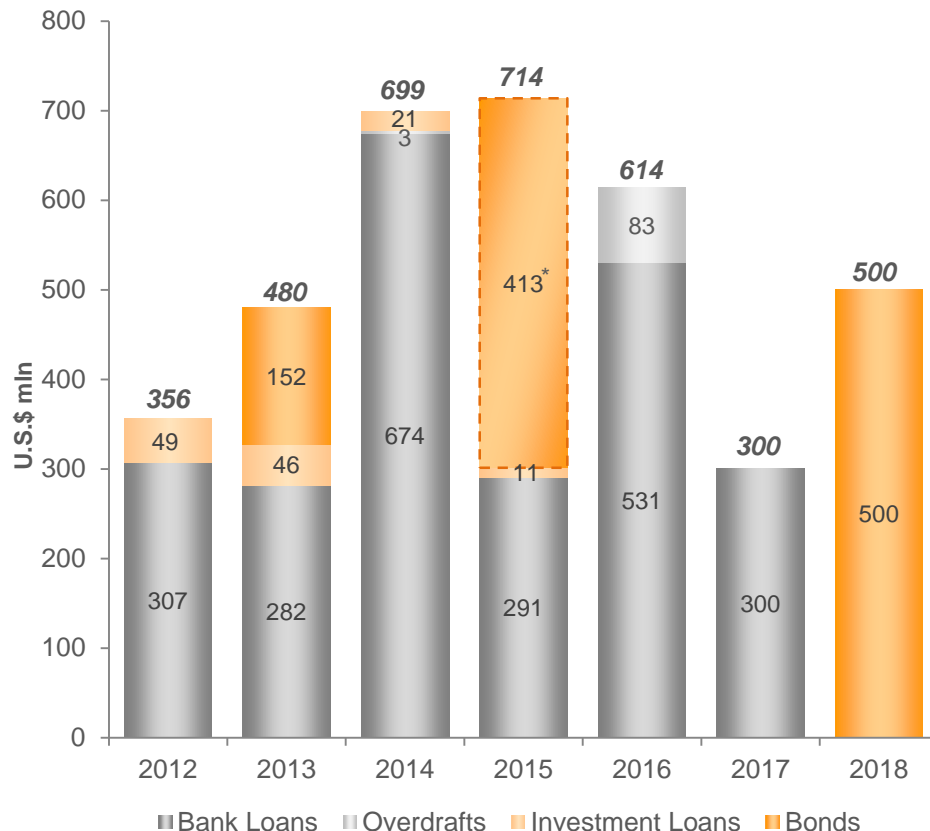
- As of 30 June, 2012, Total Debt accounted for U.S.\$3,710 mln
- 73% of Total Debt is long-term
- 29% of Total Debt is represented by Eurobonds, convertible bonds and rouble bonds, 71% - bank loans
- Weighted average nominal interest rate totalled 6.87%, down 13 b.p. from 31 March, 2012
- As of 30 June, 2012, borrowings with a floating interest rate represented U.S.\$663 million, or 18%, borrowings with a fixed interest rate – U.S.\$2,995 million, or 82%
- As of 30 June, 2012, unutilized borrowing facilities amounted to U.S.\$819 million
- Credit Ratings: S&P – B+, Stable; Moody’s – B1, Stable

Debt Structure by Currency as of 30 June 2012



Note: Numbers represent TMK management accounts and differ from IFRS figures for the amounts of accrued interest, debt issue cost and liabilities under finance lease, and other items not related to the principal amount of debt

Maturity Profile as of 30 June 2012



* Convertible bond with a conversion price of \$22.308/GDR and a put option due on 11 February 2013. In IFRS accounts convertible bond liability was included in short-term loans and borrowings as of June 30, 2012.

Note: TMK management accounts. Figures above are based on non-IFRS measures, estimates from TMK management

Russia

Construction of EAF at Tagmet

Total Investment: **U.S.\$ 247 mln**
Remaining Investment: **U.S.\$ 120 mln**
Project Launch: **2013**
Capacity Increase: **+ 950 k tonnes**



Construction of FQM Mill at Seversky Pipe Plant

Total Investment: **U.S.\$ 414 mln**
Remaining Investment: **U.S.\$ 205 mln**
Project Launch : **2013**
Capacity Increase: **+ 600 k tonnes, including:**
- **Line Pipe +280 k tonnes**
- **OCTG +320 k tonnes**



USA

R&D Center in Houston

Investment: **U.S.\$26 mln**
Timing: **Building Completed in 2011**
Final test equipment installed in July 2012

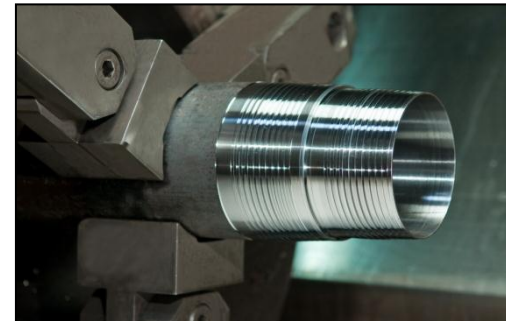


The in-house R&D Center will allow for significant strengthening of the Company's research potential, further improvement of the product mix and quality as well as performing much of the connections testing and metallurgical inspection to ensure TMK pipes meet the highest quality standards

Threading and Heat Treatment

Investment: **U.S.\$45 mln**
Period: **2012-2017**
Additional Capacity: **230 thousand tons**

Investment: **U.S.\$160 mln**
Period: **2012-2017**
Additional Capacity: **280 thousand tons**



Appendix – Summary Financial Accounts

TMK Income Statement

U.S.\$ mln	2011	2010	2009	2008	2007
Revenue	6,754	5,579	3,461	5,690	4,179
Cost of Sales	(5,307)	(4,285)	(2,905)	(4,252)	(2,891)
Gross Profit	1,446	1,293	556	1,438	1,288
Selling and Distribution Expenses	(411)	(403)	(313)	(344)	(238)
General and Administrative Expenses	(283)	(232)	(204)	(268)	(218)
Advertising and Promotion Expenses	(9)	(11)	(5)	(10)	(5)
Research and Development Expenses	(19)	(13)	(10)	(15)	(10)
Other Operating Expenses, Net	(40)	(34)	(17)	(45)	(51)
Foreign Exchange Gain / (Loss), Net	(1)	10	14	(100)	20
Finance Costs, Net	(271)	(412)	(404)	(263)	(90)
Other	132	(12)	(46)	(85)	3
Income / (Loss) before Tax	544	185	(427)	308	699
Income Tax (Expense) / Benefit	(159)	(81)	103	(110)	(192)
Net Income / (Loss)	385	104	(324)	198	506

Source: Consolidated IFRS Financial Statements

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TMK Statement of Financial Position

U.S.\$ mln	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
ASSETS					
Cash and Bank Deposits	231	158	244	143	89
Accounts Receivable	772	720	580	758	541
Inventories	1,418	1,208	926	1,176	782
Prepayments	200	172	223	213	238
Other Financial Assets	4	4	4	4	-
Total Current Assets	2,625	2,262	1,977	2,294	1,651
Assets Classified as Held for Sale	-	8	-	-	-
Total Non-current Assets	4,507	4,592	4,704	4,774	3,025
Total Assets	7,132	6,862	6,681	7,068	4,676
LIABILITIES AND EQUITY					
Accounts Payable	1,053	878	1,057	808	400
ST Debt	599	702	1,537	2,216	1,033
Dividends	-	-	-	-	129
Other Liabilities	53	94	28	716	156
Total Current Liabilities	1,705	1,674	2,622	3,740	1,718
LT Debt	3,188	3,170	2,214	994	506
Deferred Tax Liability	305	300	272	371	279
Other Liabilities	110	110	83	52	67
Total Non-current Liabilities	3,602	3,580	2,569	1,417	852
Equity	1,825	1,607	1,490	1,910	2,107
<i>Including Non-Controlling Interest</i>	92	95	74	97	104
Total Liabilities and Equity	7,132	6,862	6,681	7,068	4,676

Source: Consolidated IFRS Financial Statements

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TMK Cash Flow

U.S.\$ mln	2011	2010	2009	2008	2007
Profit / (Loss) before Income Tax	544	185	(427)	308	699
<i>Adjustments for:</i>					
Depreciation and Amortisation	336	301	313	248	140
Net Interest Expense	271	412	406	263	90
Others	(101)	44	36	228	(9)
Working Capital Changes	(156)	(527)	558	(81)	(386)
Cash Generated from Operations	894	415	886	966	534
Income Tax Paid	(107)	(29)	(33)	(227)	(213)
Net Cash from Operating Activities	787	386	852	740	321
Capex	(402)	(314)	(395)	(840)	(662)
Acquisitions	-	-	(510)	(1,185)	(72)
Others	25	43	14	1	165
Net Cash Used in Investing Activities	(377)	(271)	(891)	(2,024)	(569)
Net Change in Borrowings	4	103	582	1,780	441
Others	(339)	(289)	(447)	(443)	(263)
Net Cash Used in Financing Activities	(335)	(186)	135	1,337	178
Net Foreign Exchange Difference	(2)	(15)	4	2	14
Cash and Cash Equivalents at January 1	158	244	143	89	144
Cash and Cash Equivalents at YE	231	158	244	143	89

Source: Consolidated IFRS Financial Statements

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