



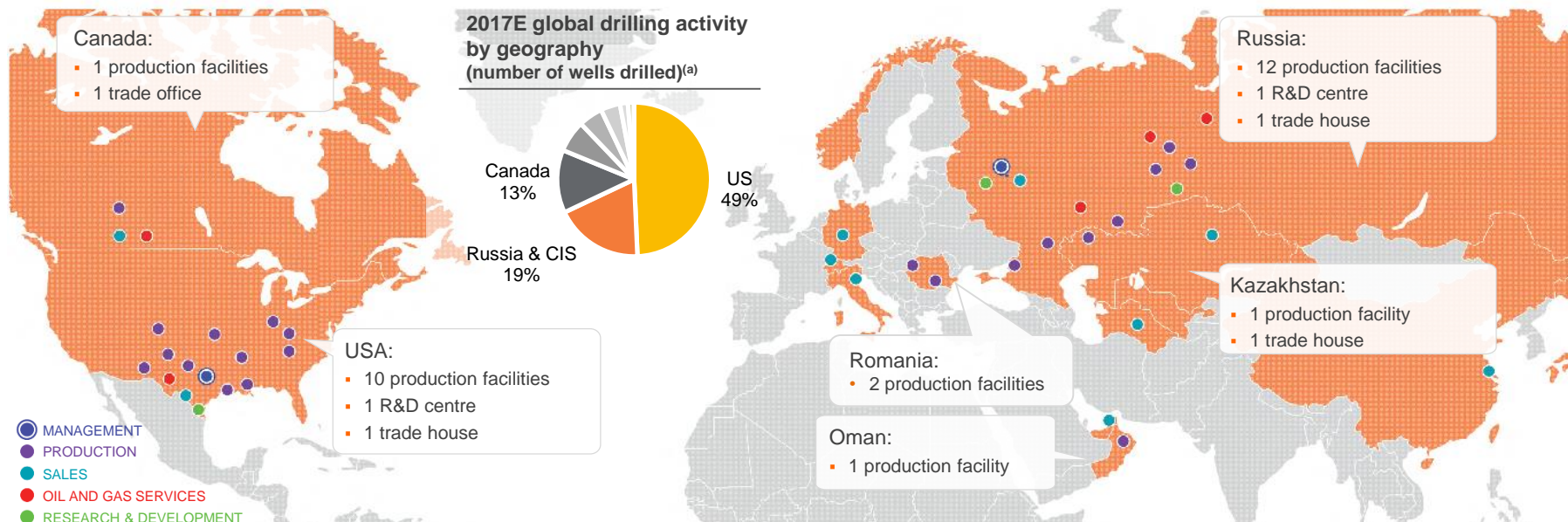
# TMK IR PRESENTATION

March 2018

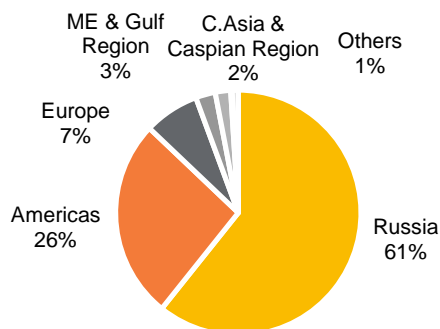


# TMK— Global Supplier of Full Range of Pipes for Oil and Gas Industry

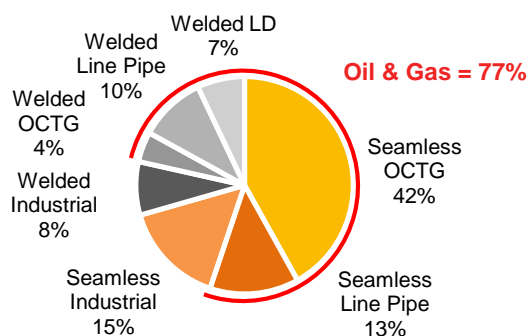
27 production sites in Russia, the USA, Canada, Oman, Romania and Kazakhstan, with trade offices in 10 countries



## TMK sales by region (2017)



## TMK sales by product (2017)



## Key financials

(US\$m/ln)	2014	2015	2016	2017
Revenue	6,009	4,127	3,338	4,394
Adj. EBITDA	829	651	530	605
Adj. EBITDA Margin (%)	14%	16%	16%	14%
FCF <sup>(b)</sup>	252	498	395	77
Net Profit (Loss)	(217)	(368)	166	30
Net Debt	2,969	2,496	2,539	2,688

Source: Company data

Note: Percentages and other figures included in this presentation are subject to rounding adjustments. Totals therefore do not always add up to exact arithmetic sums

(a) Spears & Associates. Excluding China and Central Asia. Onshore and offshore drilling

(b) Calculated as Net cash flows from operating activities plus Net cash flows used in investing activities



# TMK Today – Key Investment Highlights

1

## Industry-leading market position and large modern asset base

- Dominant #1 player in seamless OCTG industry in Russia and Top-3 in the US
- State-of-the-art underutilised production base with major investments completed over 10 years in 2004-14
- Established longstanding relationships with major oil & gas upstream and midstream players

2

## Combined exposure to some of the most attractive and dynamic regional oil & gas markets

- Russia – large low-cost oil producing region; a major market with increased drilling activity in 2017
- TMK - dominant player in Russian oil & gas with 38%<sup>(a)</sup> market share for pipes used in the oil and gas industry, 64%<sup>(a)</sup> market share in seamless OCTG
- US OCTG market is at the recovery stage, following a c.75% demand contraction in 2014-2016 – with shale industry supported by OPEC agreement and conducive political environment under new administration
- TMK – Top-3 US OCTG producer with its market share at 10% in 2017

3

## Low-cost position and stability of margins underpinned by significant vertical integration

- High degree of vertical integration in the seamless business due to in-house steel production
- Ability to pass through costs of steel products – demonstrated by stable margins throughout the cycle
- Substantial improvement in the global competitive positioning on the back of Ruble devaluation in 2014-16

4

## Cost-cutting discipline and consistent focus on de-leveraging

- Cost-cutting programs with Adjusted EBITDA<sup>(b)</sup> effect of US\$100m+ in the each of the past 3 years; disciplined capex
- Continuous reduction in net debt (US\$1bn+ reduction in net debt since 2013)

5

## Superior governance practices and uniquely stable and experienced management team

- Core management team unchanged since IPO in 2006
- 5 Independent Directors on the Board with vast diversified international and domestic experience

Source: Company data

Notes: (a) Company estimates for FY 2017

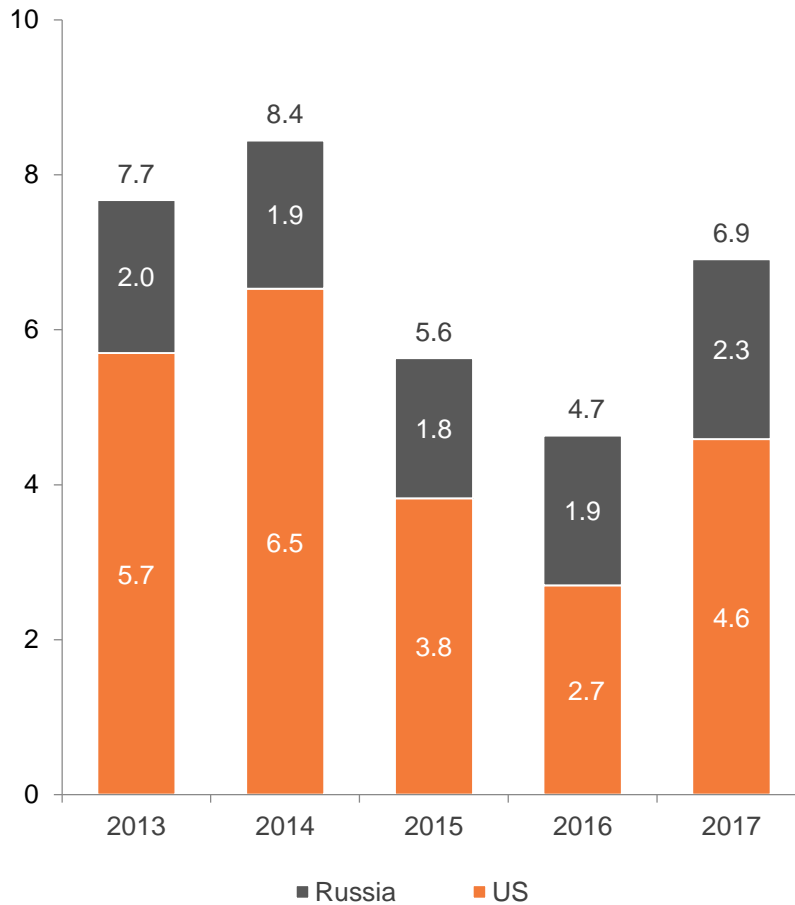
(b) Adjusted EBITDA for TMK represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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



# TMK Market Exposure = Highly Resilient Russian Market + US Shale Passing the Inflection Point

## OCTG consumption in Russia and the US

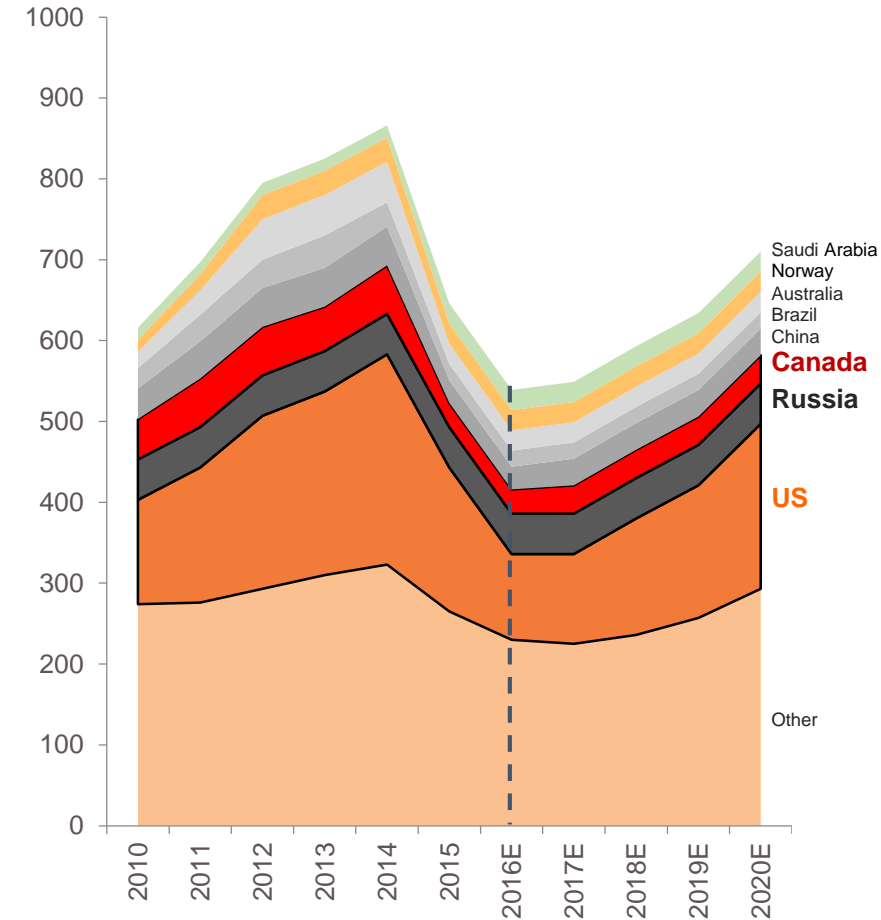
(m tonnes)



Source: Metal Expert for Russian OCTG consumption, Preston Pipe & Tube Report for US statistics

## Global E&P investments

(US\$ bn nominal)



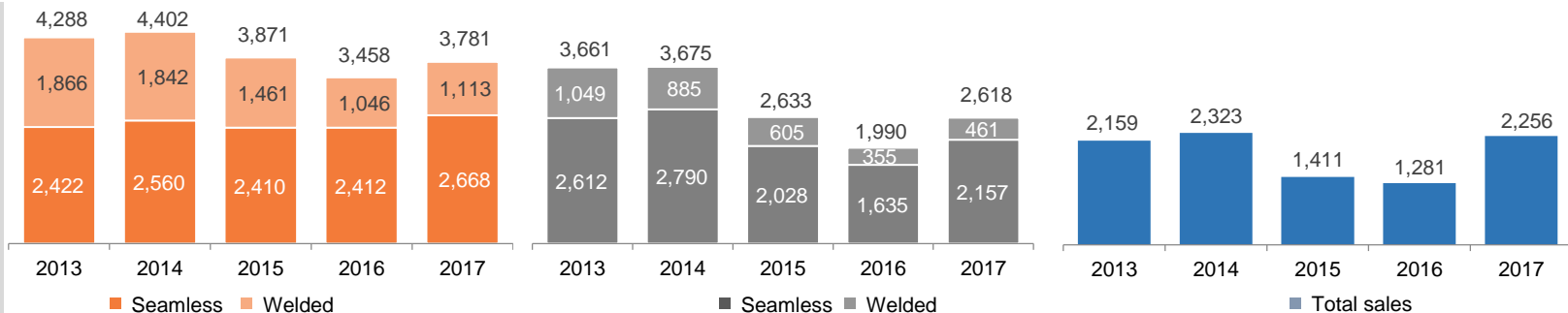
Source: Rystad Energy



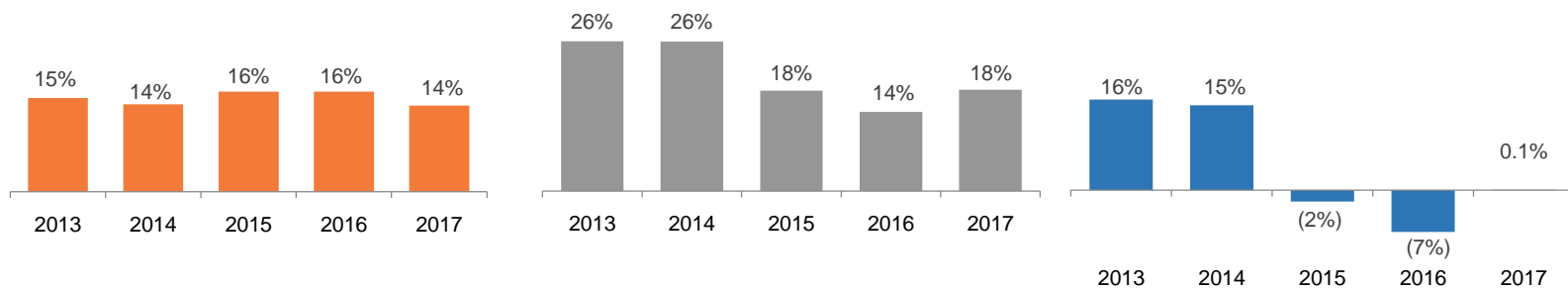
# TMK – Superior Earnings Resilience Through the Cycle



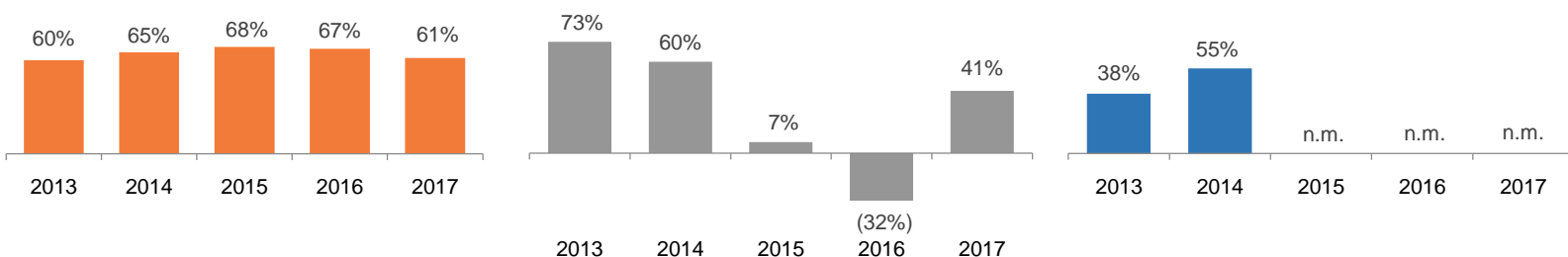
**Total pipes sales volume (ths. tonnes)**



**Adjusted EBITDA margin<sup>(a)</sup>, %**



**Cash conversion<sup>(b)</sup>**



Source: Companies' public reporting

Note: (a) Adjusted EBITDA for TMK represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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

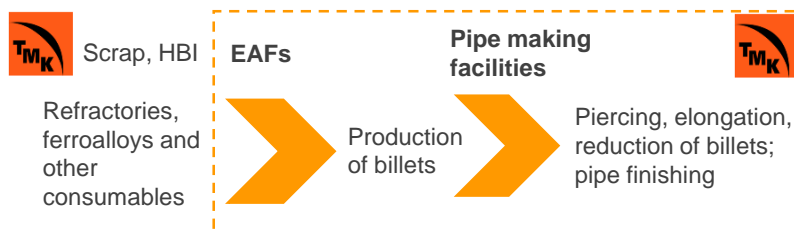
(b) Calculated as (Adjusted EBITDA – Capex) / Adjusted EBITDA



# Vertically Integrated Model Ensuring Margin Stability

- Operating in one of the lowest cost regions for steel production globally
- Fully vertically integrated seamless pipe production (upstream and downstream) across all regional divisions
- Ability to pass through increases in the cost of steel products to end-customers
- Resilient margin throughout the cycle of high and low steel prices
- In 2016, an agreement with Metalloinvest for supply of hot-briquetted iron ("HBI") was signed

## Seamless pipe – simplified value chain



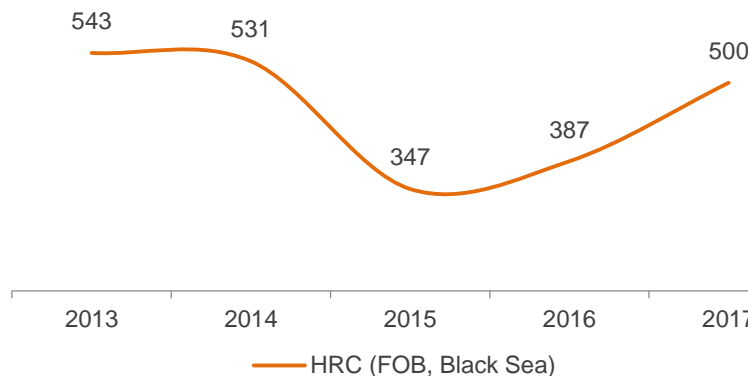
## Welded pipe – simplified value chain



Perimeter of TMK operations in the value chain

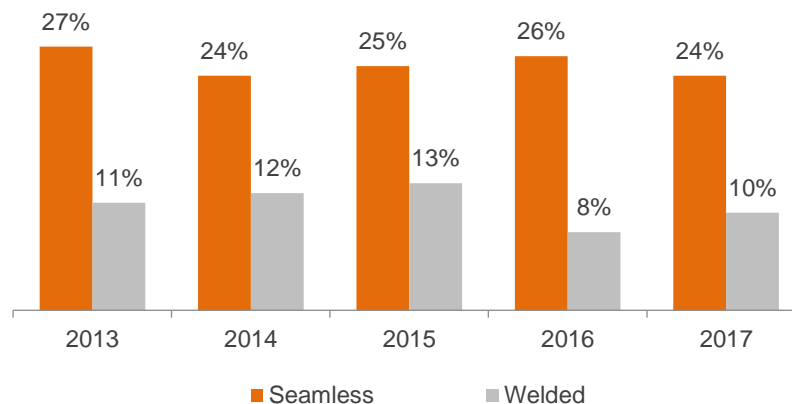
## Steel products price volatility

(US\$/t)



Source: Metal Expert

## TMK gross margin by product segments





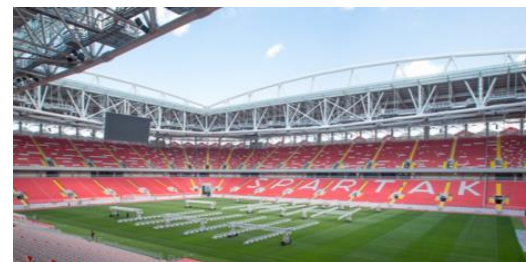
# Strong Position in Multiple End-Markets for Pipes Beyond Oil & Gas

## Automotive



- TMK-ARTROM is qualified as an authorised supplier for such companies as Dacia (a subsidiary of Renault)
  - No. 1 supplier for Dacia in 2015
- Qualified as Tier 2 supplier for Toyota

## Civil Construction



- Galvanised pipe for the outer steel frame of the Otkritie Arena stadium in Moscow
- Impact resistant seamless pipe shipped for the construction of Zenit Arena stadium retractable roof in St Petersburg
- Structural steel pipe for the stadium roof in Samara

## Energy and Chemicals



- In 2015, TMK won a number of tenders for pipe shipments to energy and petrochemical businesses, including boiler long-length pipe for Taman TPP's equipment

## Diversified Hi-Tech Solutions



- TMK-INOX stainless pipe of 8–114 mm diameter, used in nuclear, aircraft, automotive, aerospace and energy industries



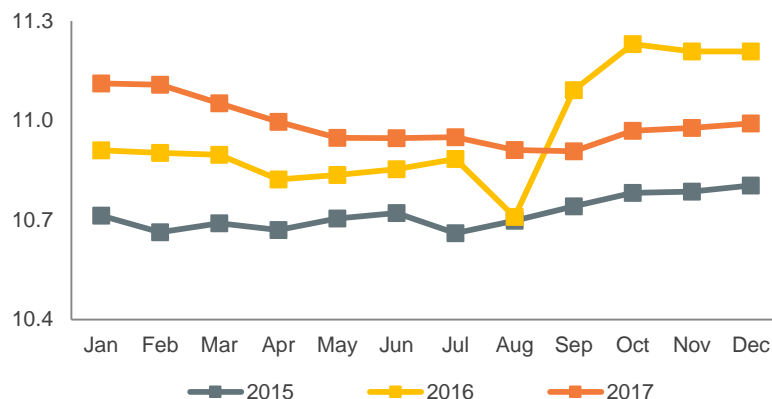
# **TMK Russian Division: Market Overview**



# Oil Production in Russia Remains Strong...

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

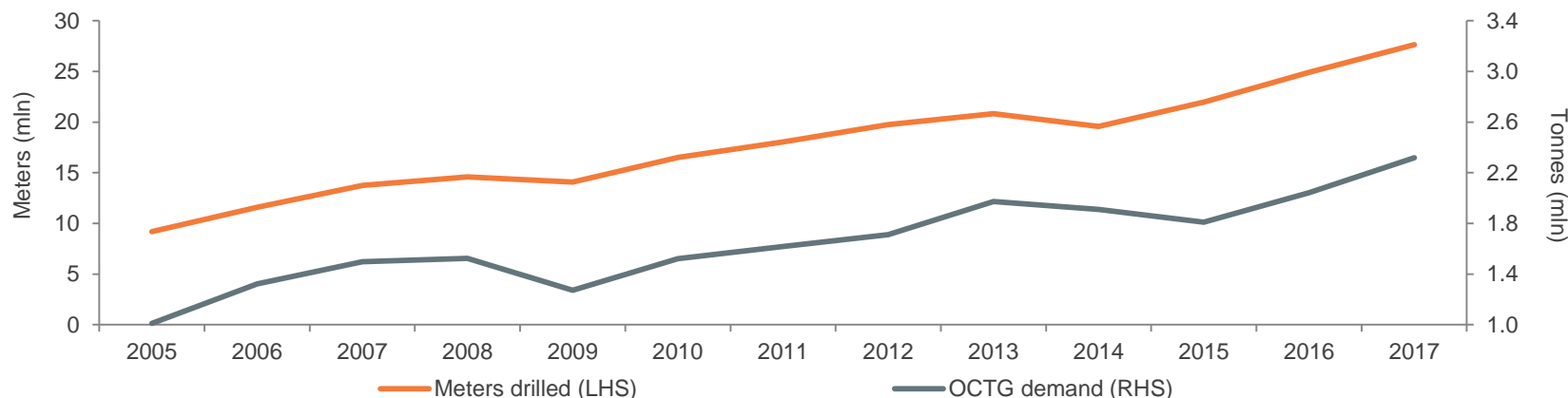
Russian total oil output, MMbpd



- Russian oil production set new historic record in November 2016, reaching 11.2 mmbpd
- As part of its deal with OPEC, which was prolonged until the end of 2018, Russia has agreed to cut production by 300,000 bpd compared to October 2016 level
- Production cuts are unlikely to be reached through decrease in drilling activity given deteriorating well flow dynamics across Russia<sup>(1)</sup>

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

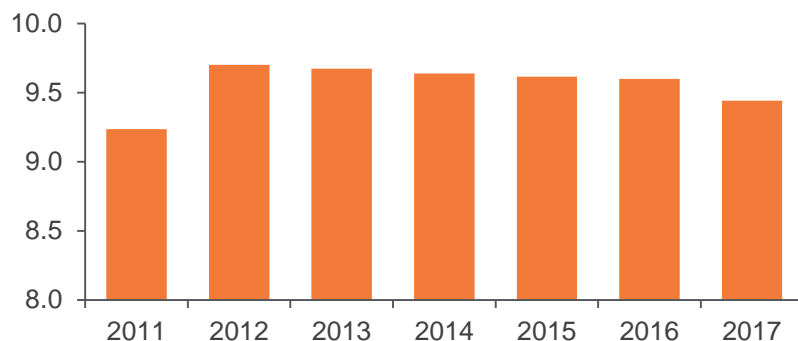
Note: (1) Please refer to slide 50 of the Appendix for an overview of the oil output adjustment commonly used in different oil production methods



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

### Gradual stagnation of oil production from brownfields ...

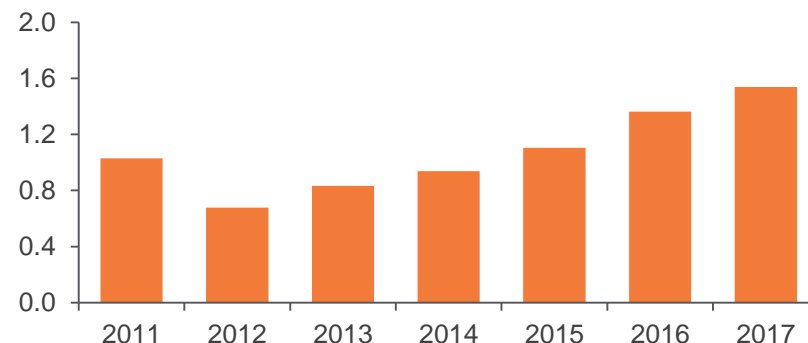
Brownfields production, MMbpd



Source: Interfax, Info TEK

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

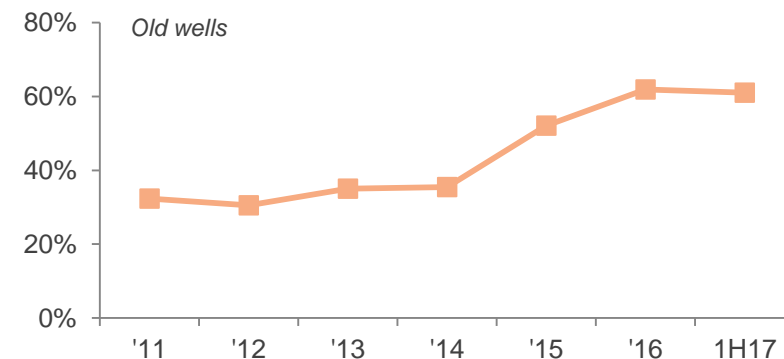
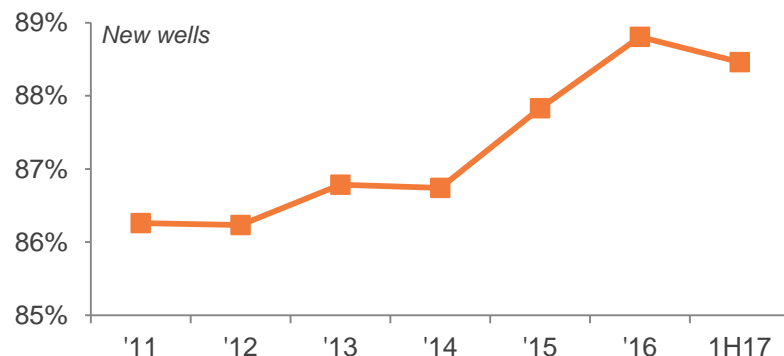
Greenfields production, MMbpd



Source: Interfax, Info TEK

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

Watercut, %



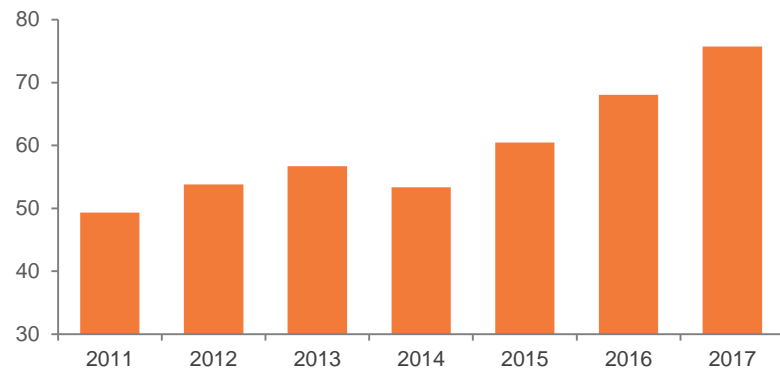
Source: Interfax, Info TEK, TMK estimates



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

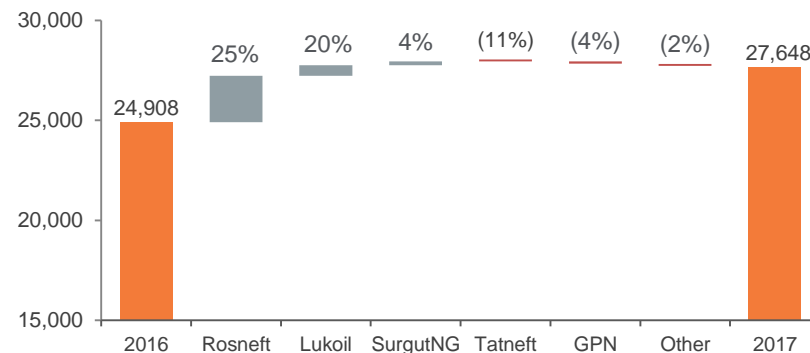
## Russian drilling activity keeps growing ...

Russian drilling, km/d



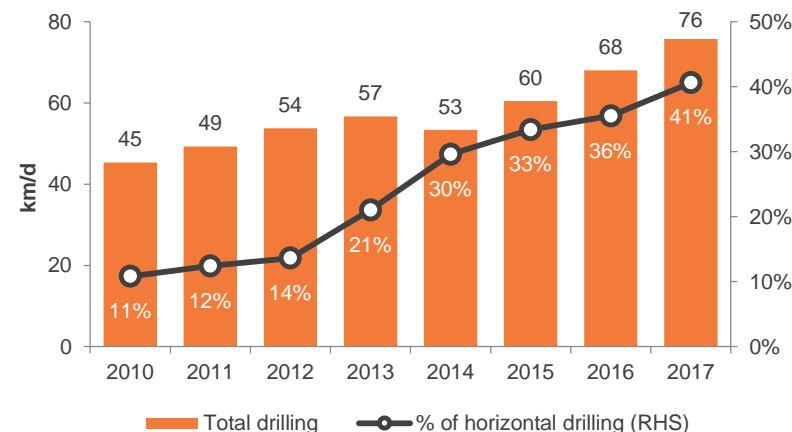
Source: Info TEK

2017 Russian drilling growth broken down, km



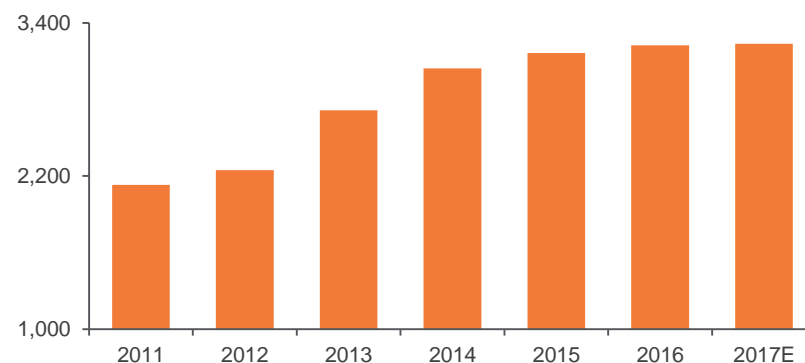
Source: Interfax, Info TEK

## Russian development drilling activity keeps growing with strong demand for advanced oil field services fueled by EOR activity at brownfields



Source: CDU TEK

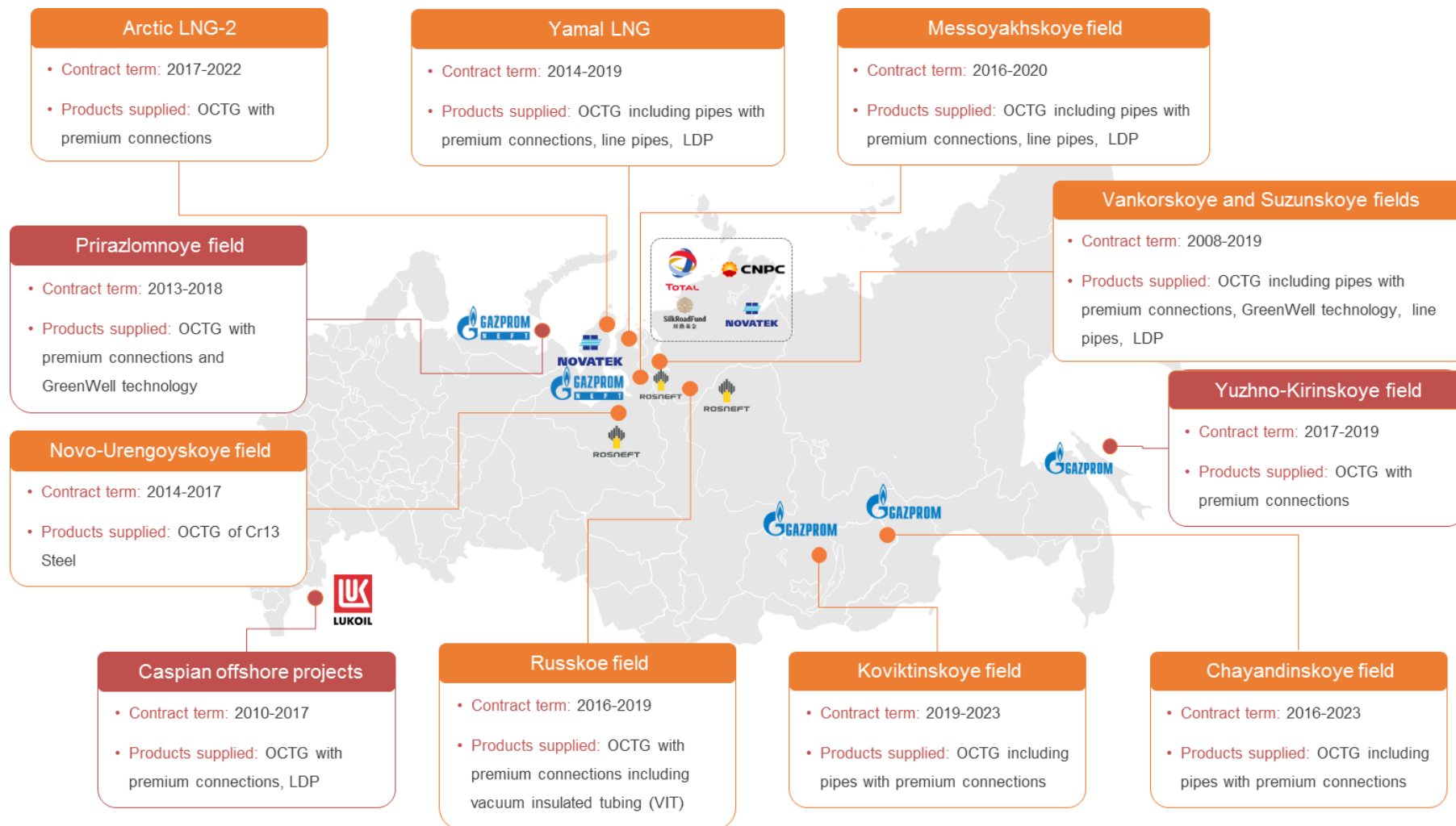
Sidetracking progress (# of operations)



Source: RPI 2017



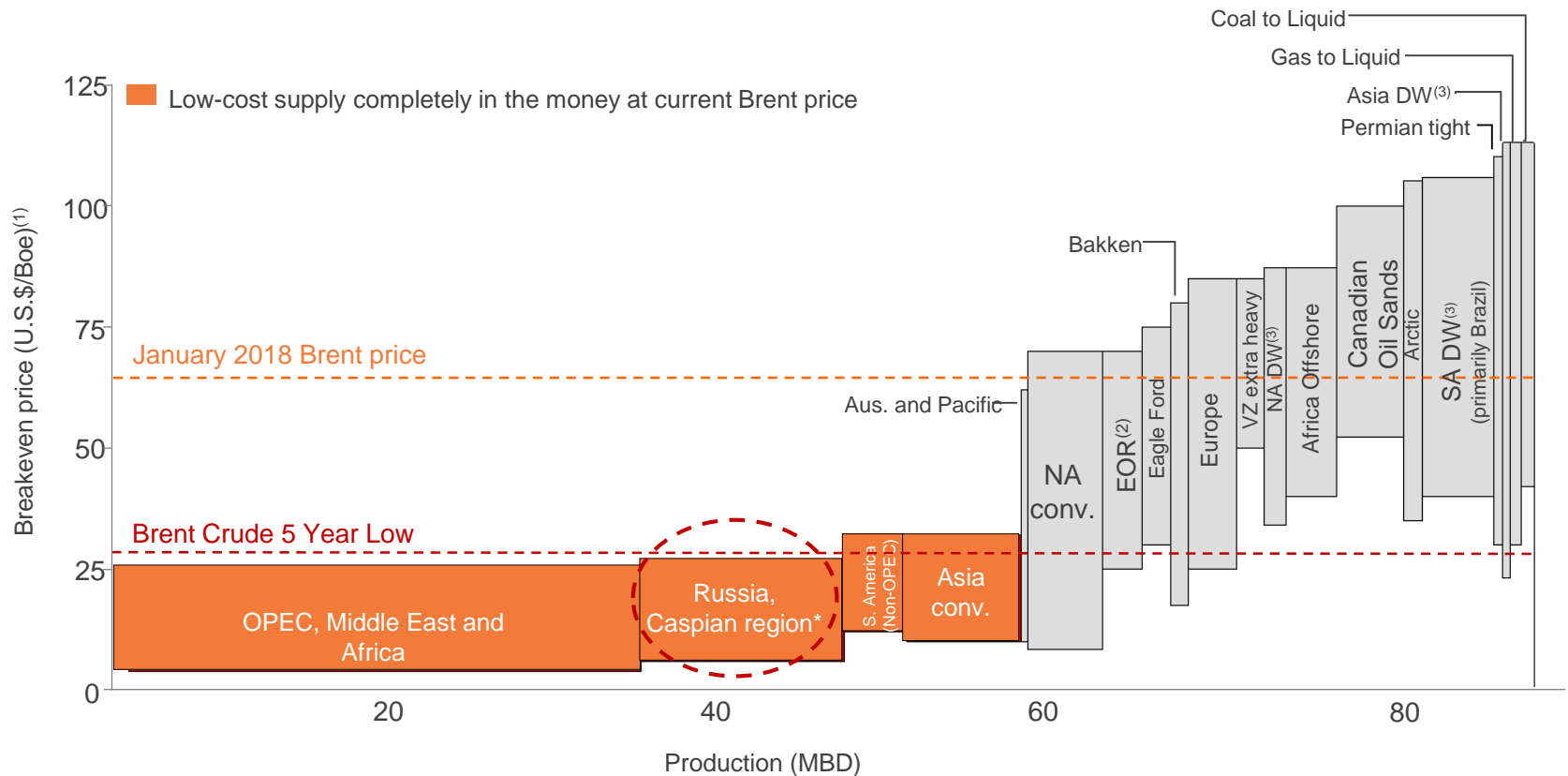
# Attractive Portfolio of Premium OCTG Projects





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

## Global oil production supply curve



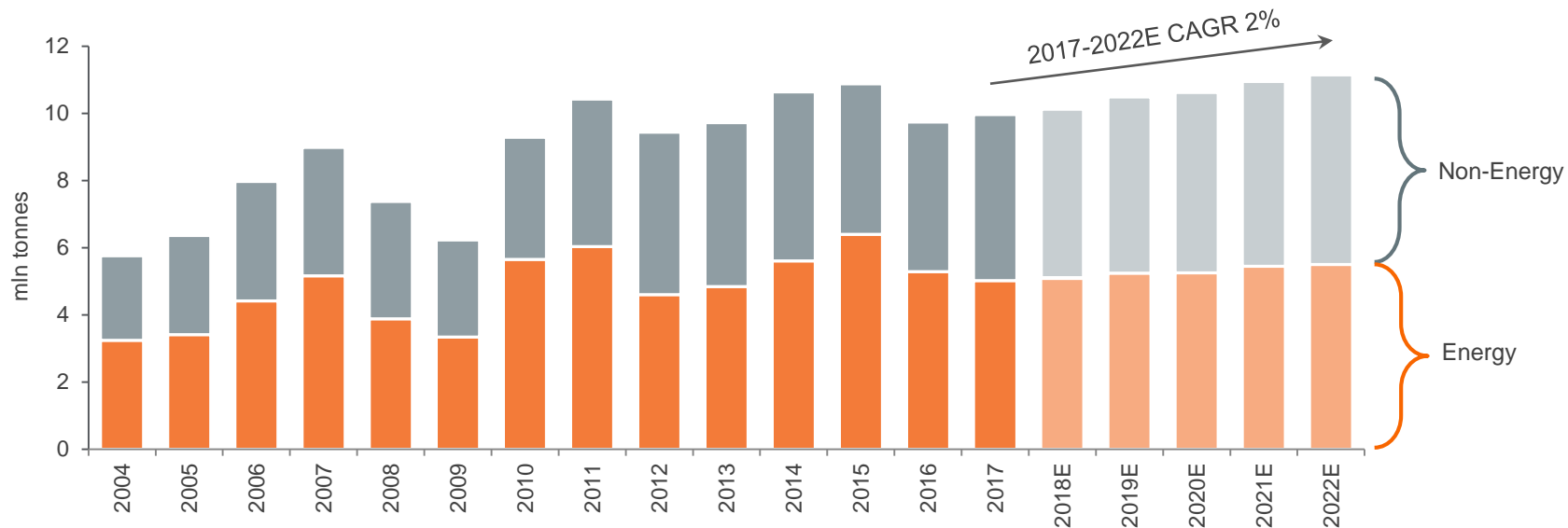
Even with oil at 5 year lows, the low cost Russian and Caspian region is able to remain profitable unlike the majority of its international counterparts. In 2015 and 2016, Russia was the only region globally to maintain healthy drilling activity and stable OCTG demand.

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

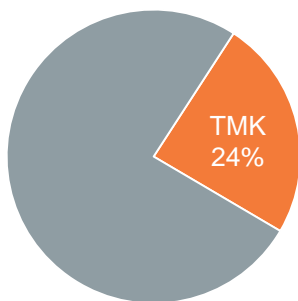


# Russian Tube and Pipe Market



## No.1 on the Russian tube and pipe market

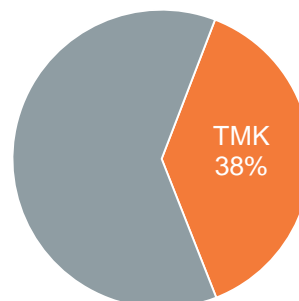
2017



Source: TMK estimates, based on FY2017 numbers

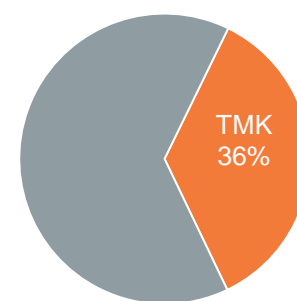
## 36% market share of energy pipe demand

2016



Source: TMK estimates, based on FY 2016–2017 numbers

2017

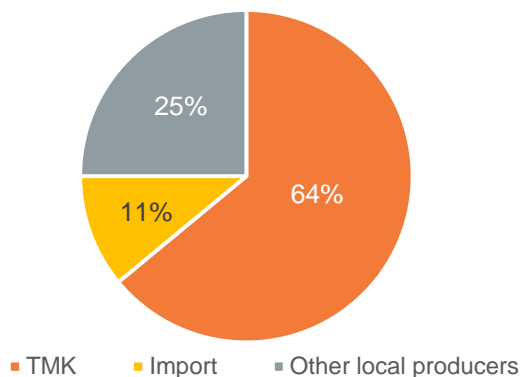




# Strong Position on the Domestic Market

## TMK share of seamless OCTG remains high

Seamless OCTG Market Shares, %

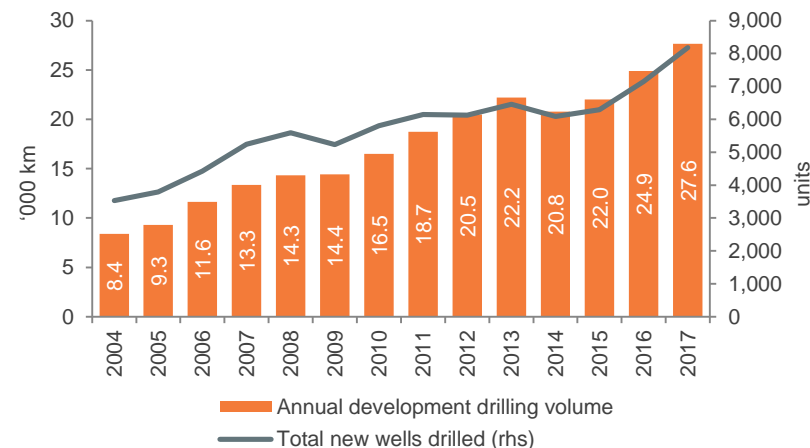


Source: TMK estimates



- 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 10% YoY in 2017
- TMK is a leader in the production of seamless OCTG on the Russian market with around 64% market share for 2017

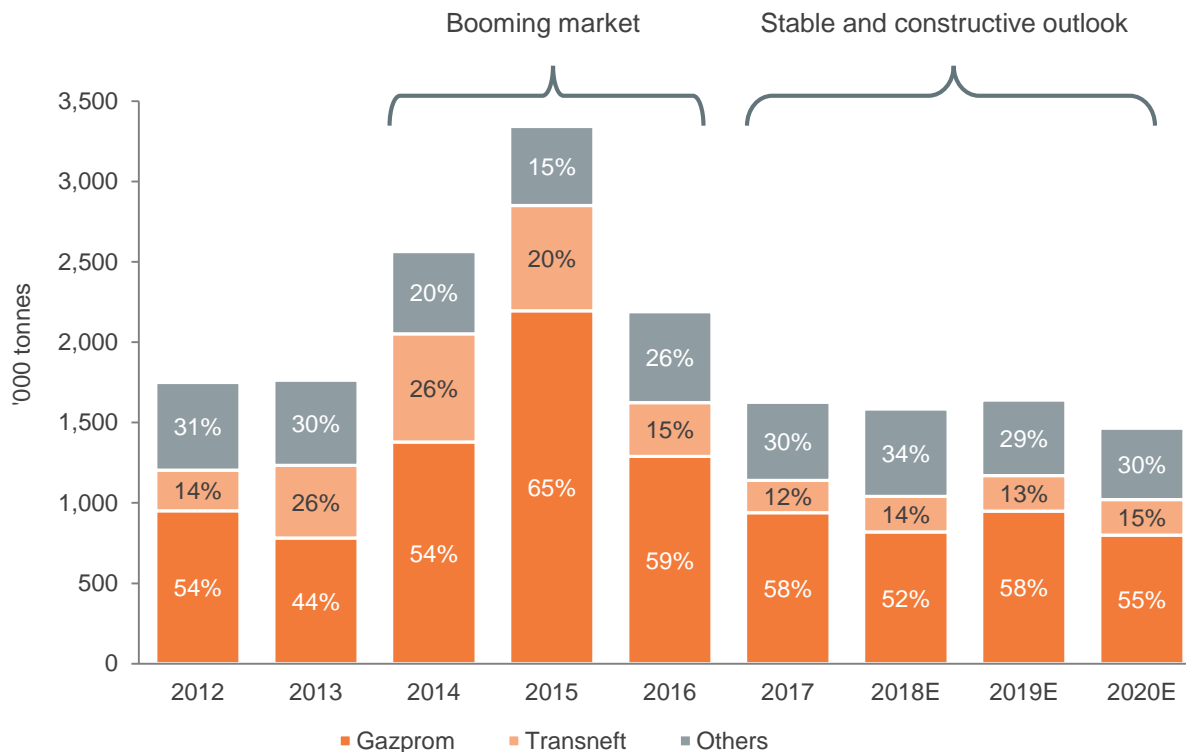
## Growing oil drilling market in Russia



Source: CDU TEK, TMK estimates

# LDP Demand in Russia

## LDP demand in Russia, 2012–2020E



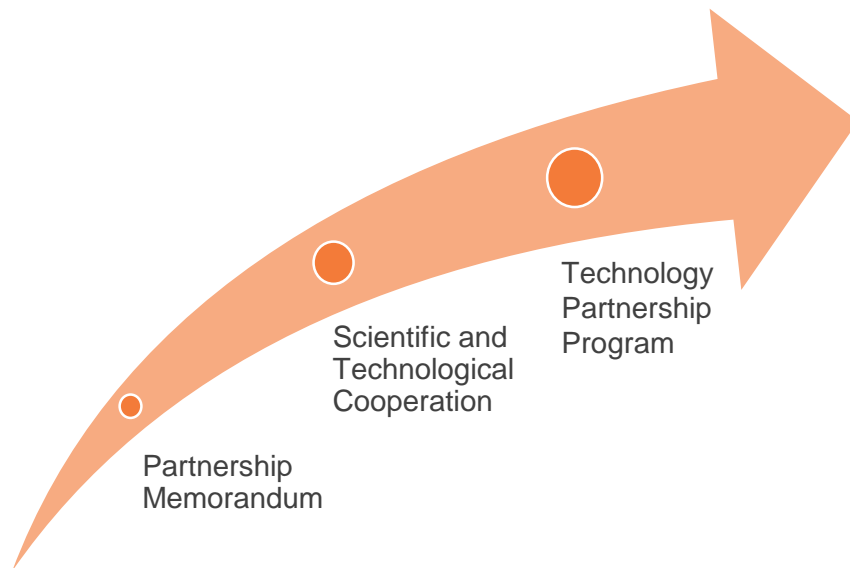
Source: TMK estimates



- 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

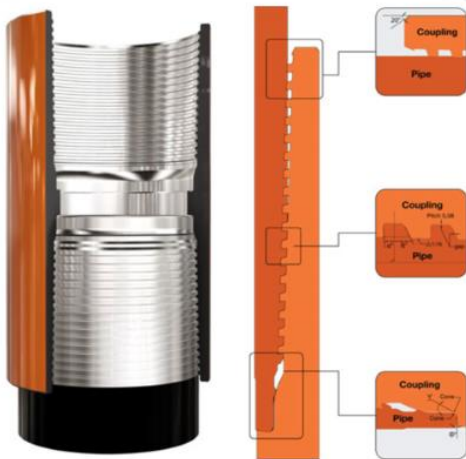


- Newly signed long-term agreements with key customers to develop and supply innovative premium products with related services will strengthen TMK's position
- Import substitution programs guarantee purchase of tubular products and related services
- TMK's innovative products are able to considerably 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 Features

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



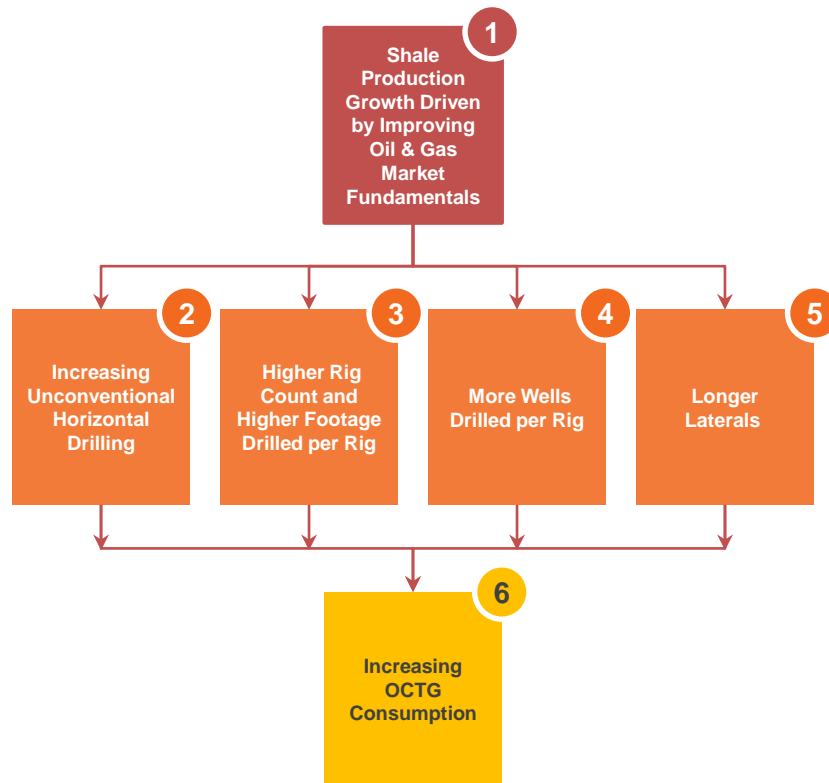
## **TMK American Division: Market Overview**



# Strong Fundamentals Driving OCTG Consumption

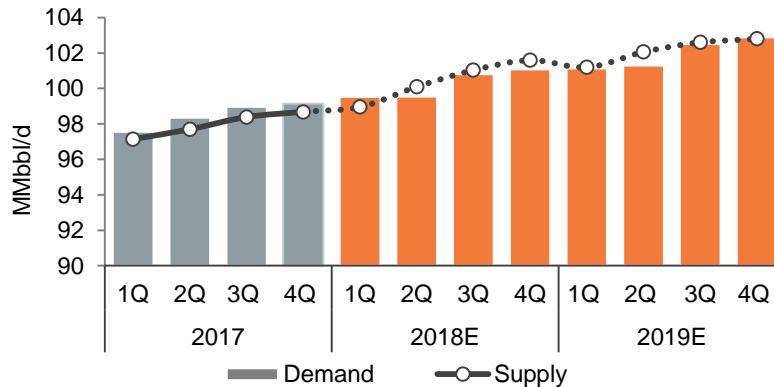
- Shale oil production is growing supported by the O&G market recovery, which is reflected in higher unconventional exploration activity
- New levels of shale oil production are achieved by:
  - Increased unconventional horizontal drilling
  - Higher rig count and higher footage drilled per rig
  - More 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



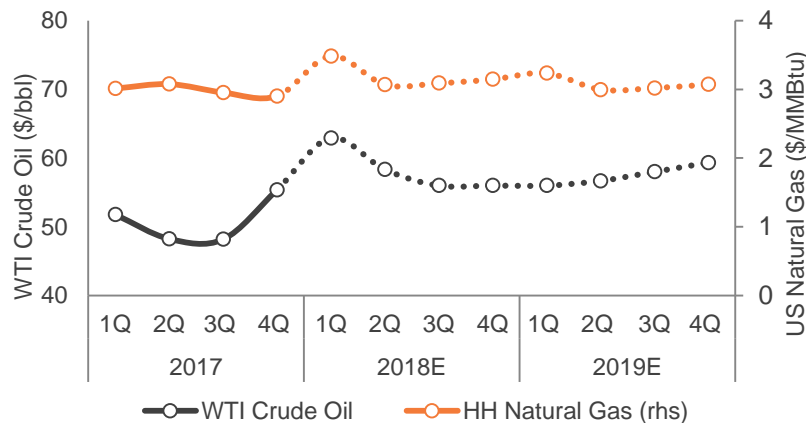
# 1 Improving Oil & Gas Market Fundamentals ...

## Signs that the global glut is easing...



Source: EIA

## ...improve sentiment and price in 2H 2017



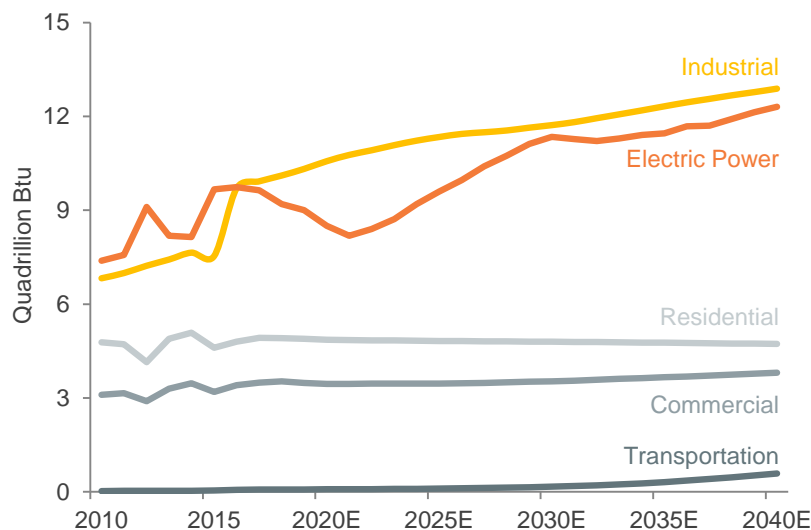
Source: EIA

- Sentiment has improved as the EIA's forecast for 2018E is positive
- These new estimates signal confidence that the global oil glut is finally easing
- Improved demand outlook, weaker oil and gas investment, and the OPEC prolonging production cuts indicate a tighter market in 2018E
- EIA expects WTI to stabilise at \$56-58/bbl in 2Q-4Q 2018
- Growth in exports and consumption will contribute to natural gas output rising and stabilising at \$3.07-3.15/MMBtu in 2Q-4Q 2018



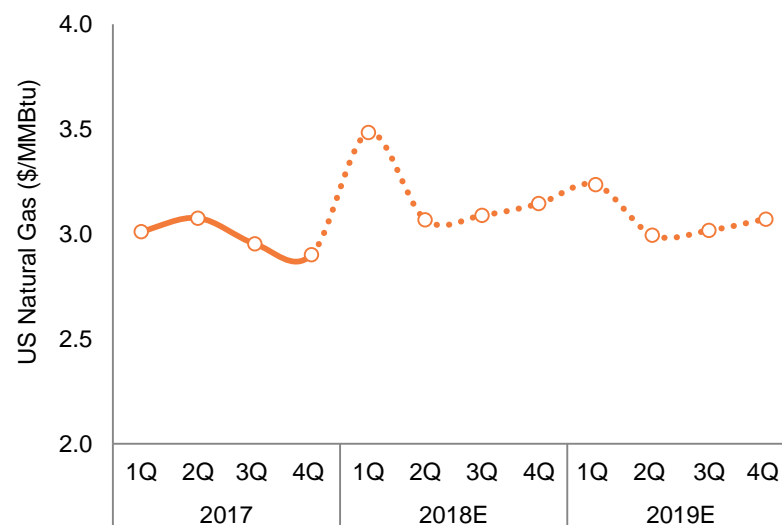
# 1 Improving Oil & Gas Market Fundamentals ... (cont'd)

**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

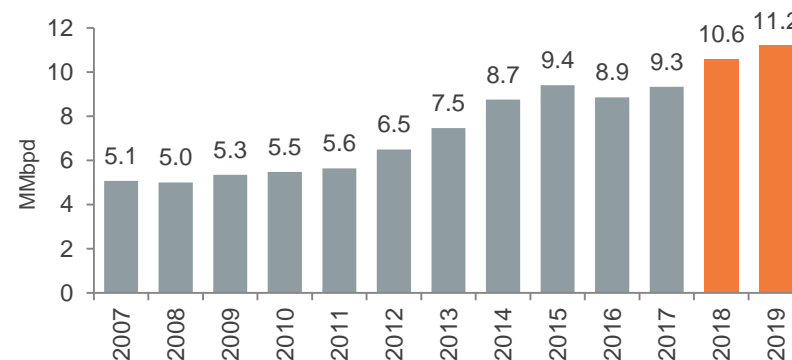


## 1 ... Drive U.S. Shale Production ...

- According to EIA forecasts, U.S. crude oil production is set to achieve 10.6 MMbpd and 11.2 MMbpd levels in 2018E and 2019E respectively vs. 9.3 MMbpd in 2017, 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 and increased further to 6.4 MMbpd in December 2017

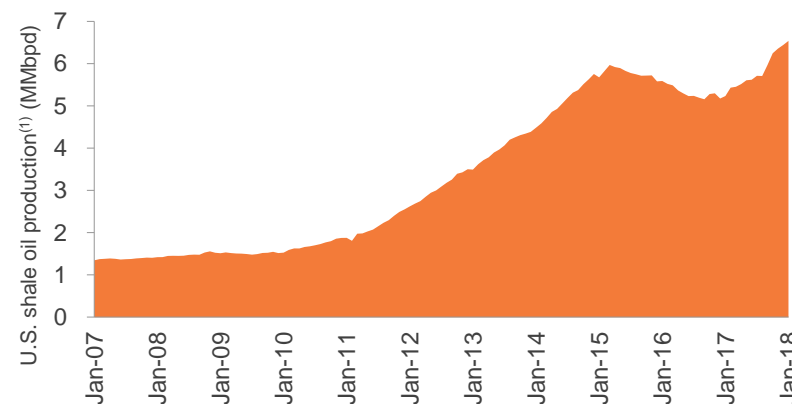
Notes: (1) Includes total oil production from Anadarko, Appalachia, Bakken, Eagle Ford, Haynesville, Marcellus, Niobrara, Permian & Utica

### U.S. crude oil production



Source: EIA

### U.S. shale oil production<sup>(1)</sup> is growing

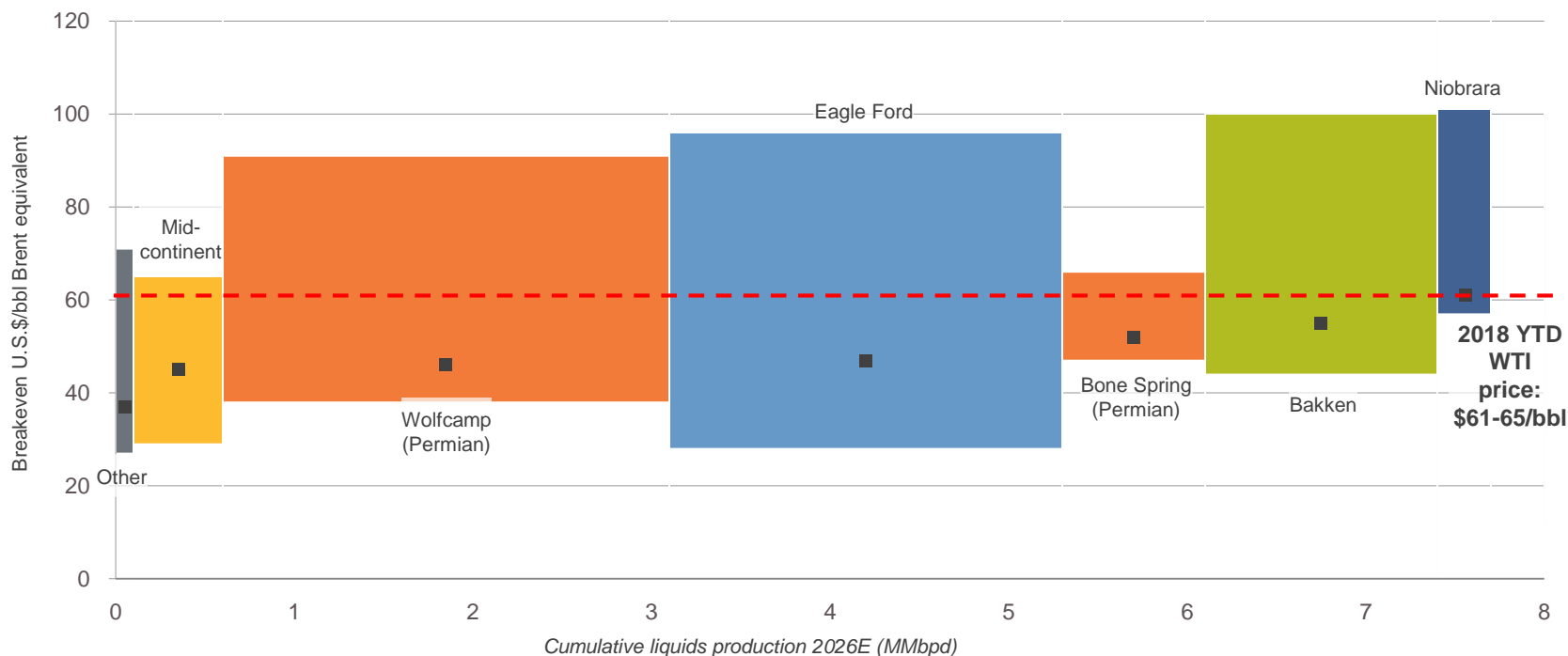


Source: EIA



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

## Continental U.S. tight oil cost curve 2026E



■ Weighted average breakeven price based on 2026E production

Source: Wood Mackenzie

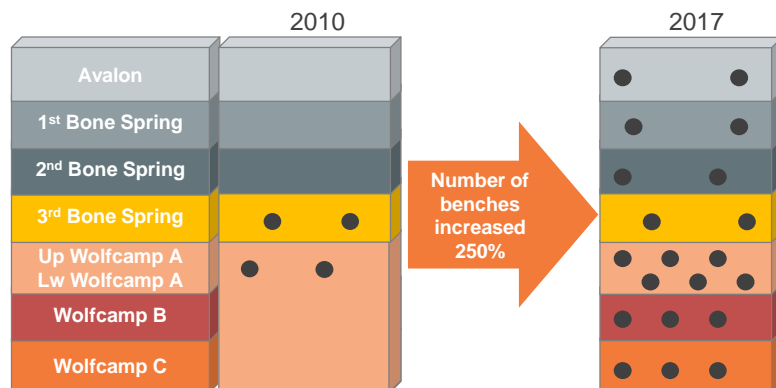
- During the past 2 years, U.S. shale players have managed to decrease production costs
  - Drilling technology has evolved, driven by efficiency requirements
  - Key changes included higher intensity of drilling, longer laterals, significantly higher usage of proppants and equipment and well string 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 ...

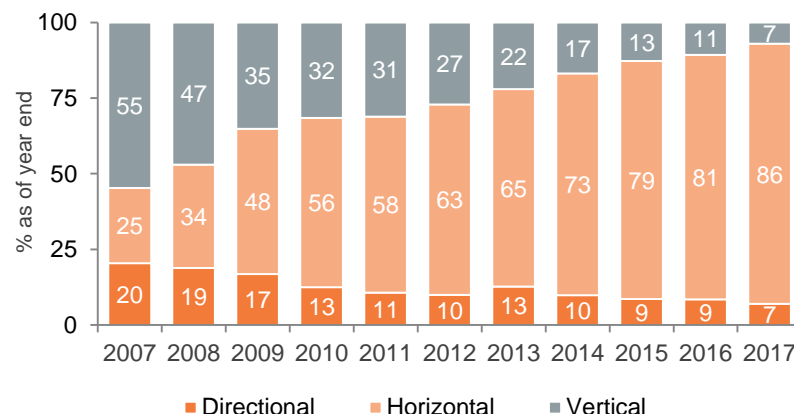
- Horizontal and directional drilling exceeded 90% in 2017 and has more than doubled for the last 10 years
- According to Spears & Associates estimates, U.S. drilling and completion spending doubled YoY in 2017 and will increase by 19% YoY in 2018E
- Growing number of available productive benches means 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



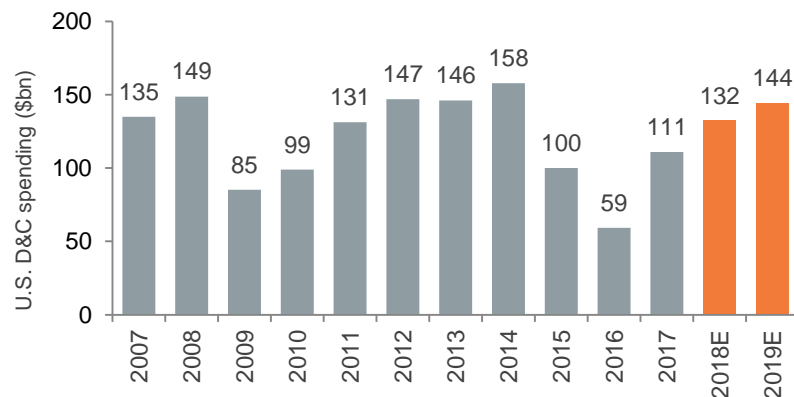
Source: Spears & Associates, Drilling Production Report as of June 2017

### U.S. active rig count by type of drilling



Source: Baker Hughes

### U.S. drilling and completion spending

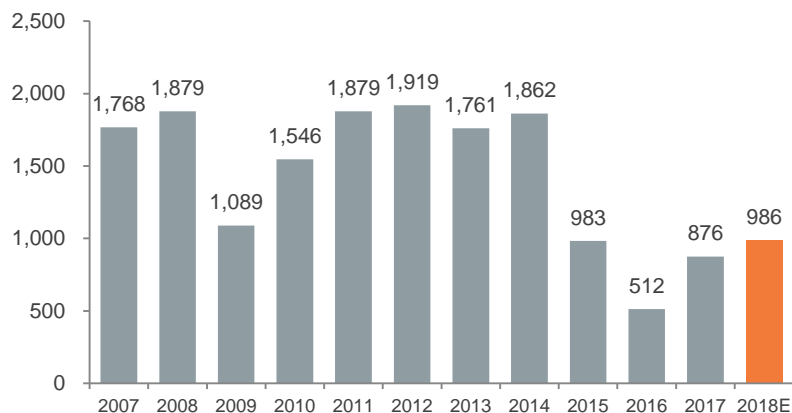


Source: Spears & Associates



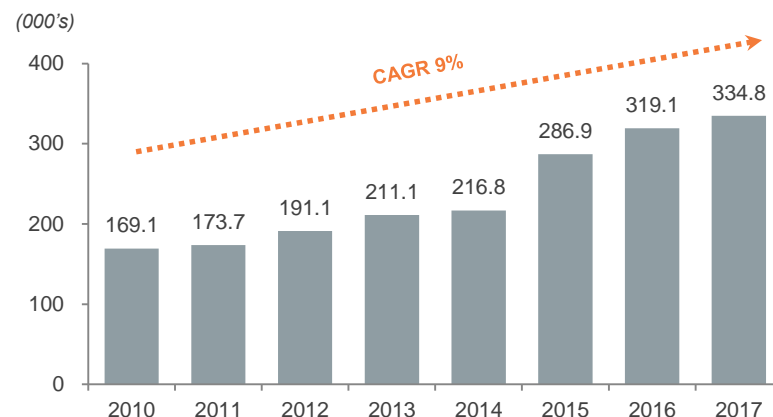
## 3 ...Growing Rig Count and Footage Drilled per Rig ...

U.S. average annual rig count<sup>(1)</sup>



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

Footage drilled per rig



Source: Spears & Associates, Inc.

- Rig count increased by 70% YoY in 2017 and is expected to grow by 13% 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 high-900s during 2018E
- Number of rigs used for horizontal drilling increased in 2017, according to Baker Hughes
- According to Spears & Associates, over the past 8 years footage drilled per rig grew at a CAGR of 9%

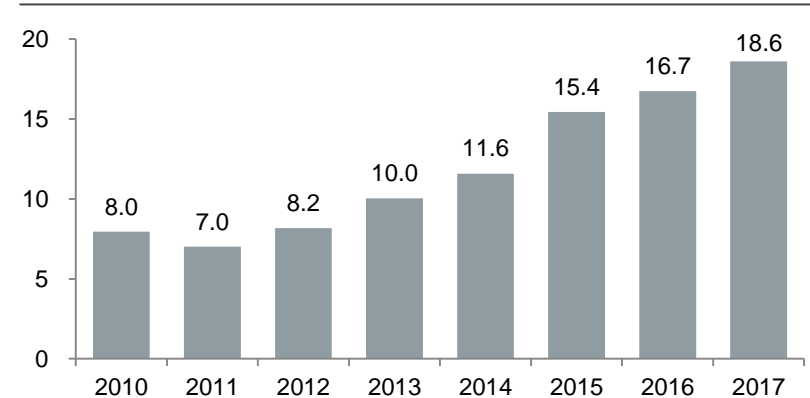
Notes: (1) Numbers for 2007 – 2017 based on Baker Hughes data, numbers for 2018E based on median between BTU Analytics, Raymond James, and Spears & Associates estimates



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

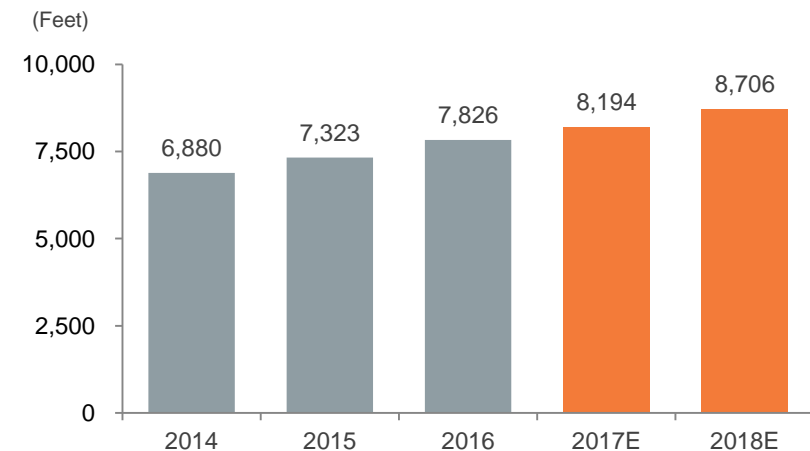
- Pad drilling operations allow operators to drill more horizontal wells per rig per year
- In the U.S., the average number of horizontal wells drilled per rig has increased from an average of 8.0 wells per rig in 2010 to an average of 18.6 wells per rig in 2017, according to Coras Oilfield Research
- 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

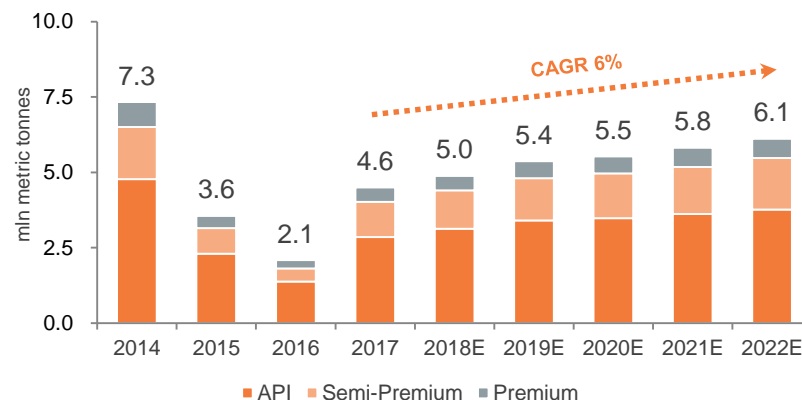
**Average U.S. lateral length**



Source: Spears & Associates, Inc.

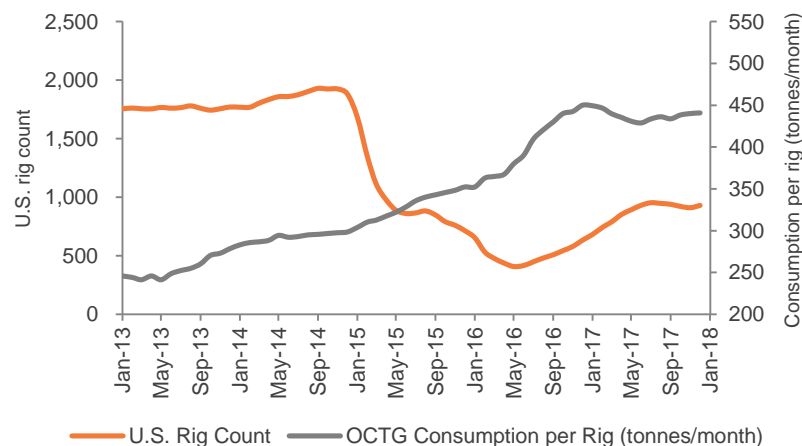
- U.S. consumption of OCTG reached 4.6 mln metric tonnes in 2017, more than twice 2016
- Total demand for OCTG in the U.S. is projected to grow at a CAGR of 6% YoY in 2017 – 2022E
- OCTG consumption per rig has nearly doubled since January 2013, allowing for significant recovery in the sector despite 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 represented c.30% of total U.S. OCTG shipments in 2017

## Total U.S. OCTG consumption



Source: Preston Pipe, Baker Hughes

## OCTG consumption per rig



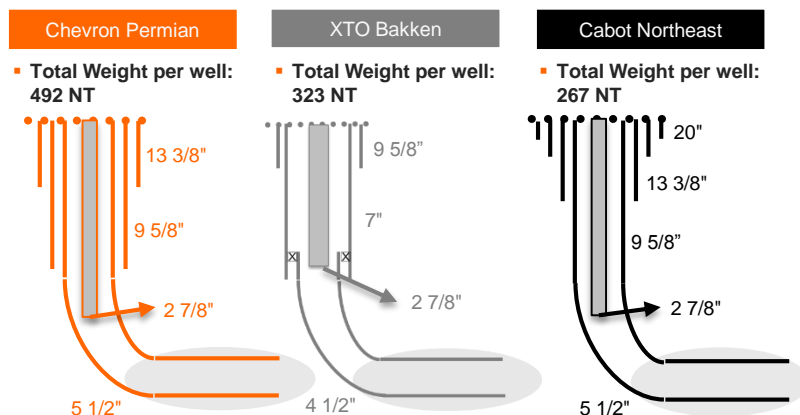
Source: Preston Pipe, Baker Hughes



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

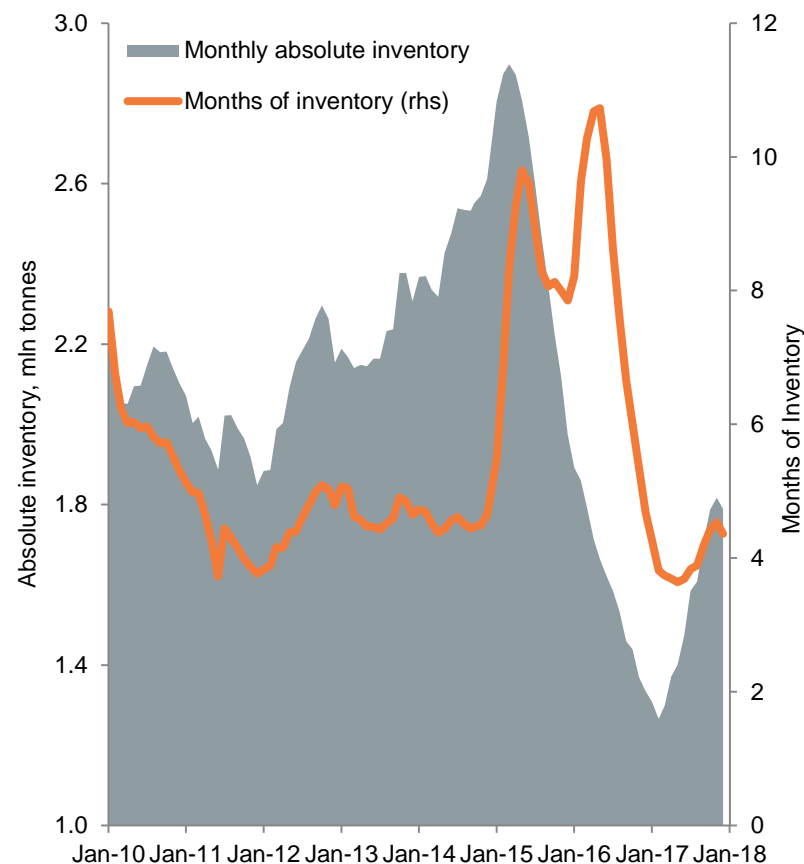
- US OCTG inventories have reached the normalized levels of 2014 as shipments outpace consumption
- Despite months of inventory having reached 2014 levels, the monthly absolute inventory is meaningfully below pre-crisis levels due to higher industry efficiency:
  - Design has standardized resulting in 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

### Standardized diameters of OCTG piping



Source: Company data

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

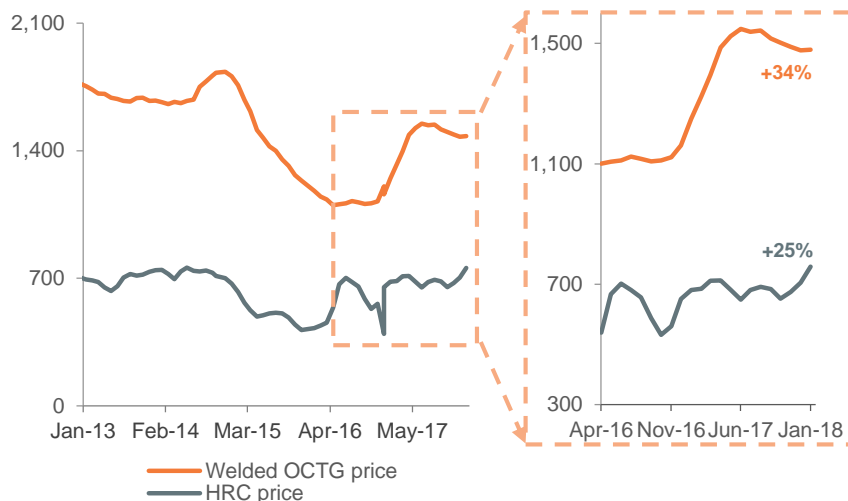


Source: Preston Pipe & Tube Report

## 6 ... and Stabilization of OCTG Prices in 3Q-4Q 2017

### U.S. distributor welded OCTG vs. HRC prices

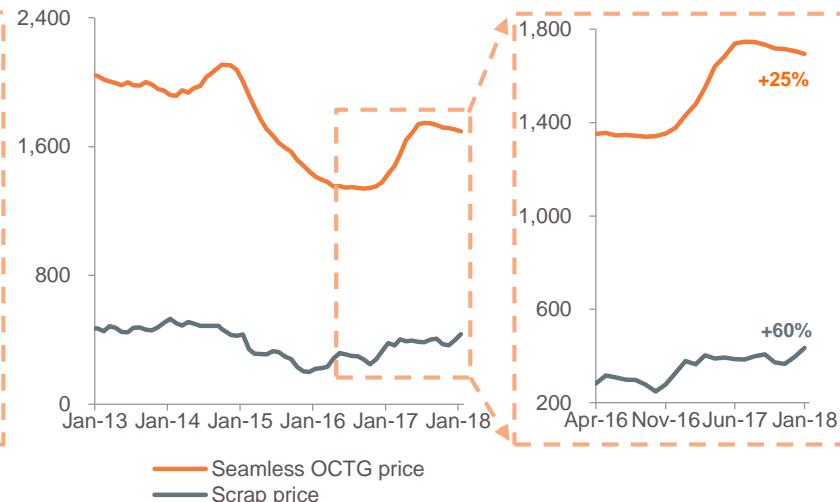
(U.S.\$/tonne, monthly average)



Source: Pipe Logix, AMM

### U.S. distributor seamless OCTG vs. scrap prices

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



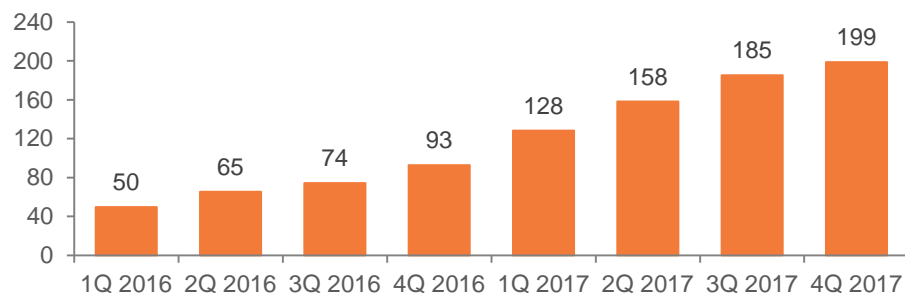
Source: Pipe Logix, AMM

- Prices have rallied from the low in April 2016. Since the trough, welded OCTG prices increased by 34% and seamless OCTG prices – by 25%
- Prices declined in 4Q 2017 due to downward 4Q 2017 budget adjustments by main oil and gas producers as the average oil price stayed below budgeted levels through 9M 2017 and stabilized in early 2018
- Raw material prices demonstrated relative flat growth in 4Q 2017 over 3Q 2017

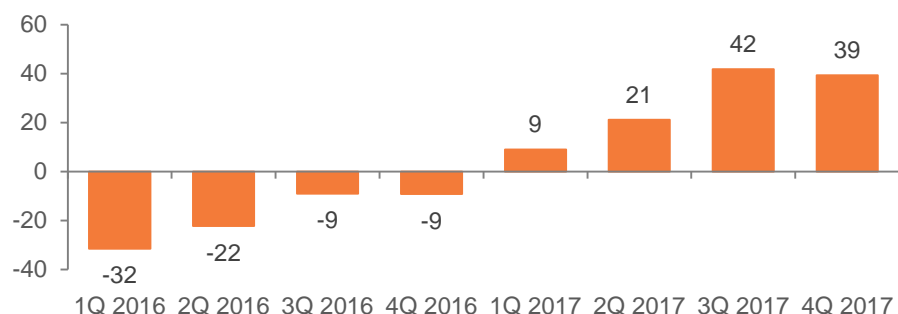


# Potential Upside for Business

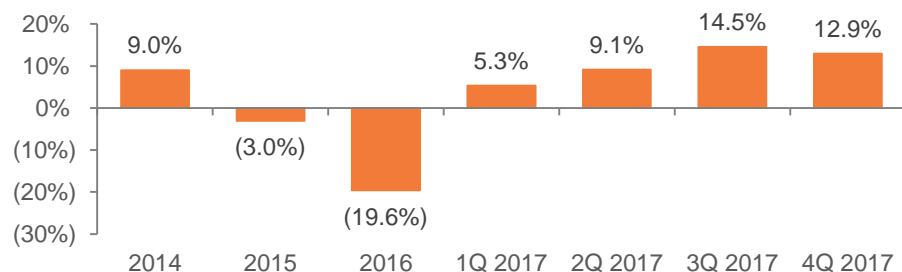
## Sales volume (thousand tonnes)



## 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 570 rigs since then
- The average number of rigs in 4Q 2017 decreased by 3% compared to the prior quarter due to downward 4Q 2017 budget adjustments by main oil and gas producers as the average oil price stayed below budgeted levels through 9M 2017
- U.S. domestic crude production averaged 9.3 MMbpd in 2017, up 0.5 MMbpd from the average for 2016
- These factors are reflected in the IPSCO's financial performance:
  - Sales volume demonstrate strong upward trend
  - Adjusted EBITDA and EBITDA margin troughed in 1Q 2016, then recovered in 2Q-4Q 2016 & FY 2017



# Strategic Overview



# Key Strategic Pillars

## Enhance leadership in key segments and enter new product niches

- Dominate the Russian OCTG and line pipe markets
- Remain in the TOP 3 leading OCTG producers in the USA
- 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

## Optimise vertical integration

- 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)
- Develop a service offering of ready-to use comprehensive engineering solutions for customers

## Enhance the sales platform and leverage TMK's global scale

- Expand commercial footprint of TMK's products and services
- Develop strategic partnerships with major customers and global consumers
- Focus on offering products that have a global market and stable demand outlook, i.e. high-tech seamless pipes and premium connections

## Focus on innovation and digitalisation

- Develop e-commerce across all divisions via TMKe Trade, the first tubular goods Internet shop in Russia
- Use cutting-edge digital technology to improve product quality and cut costs

## Enhance operational excellence

- Foster a culture of continuous operational improvements and production cost cutting
- Ensure consistent product quality through increasing the sustainability of technologies and personnel qualification

## Strengthen financial performance and investment appeal

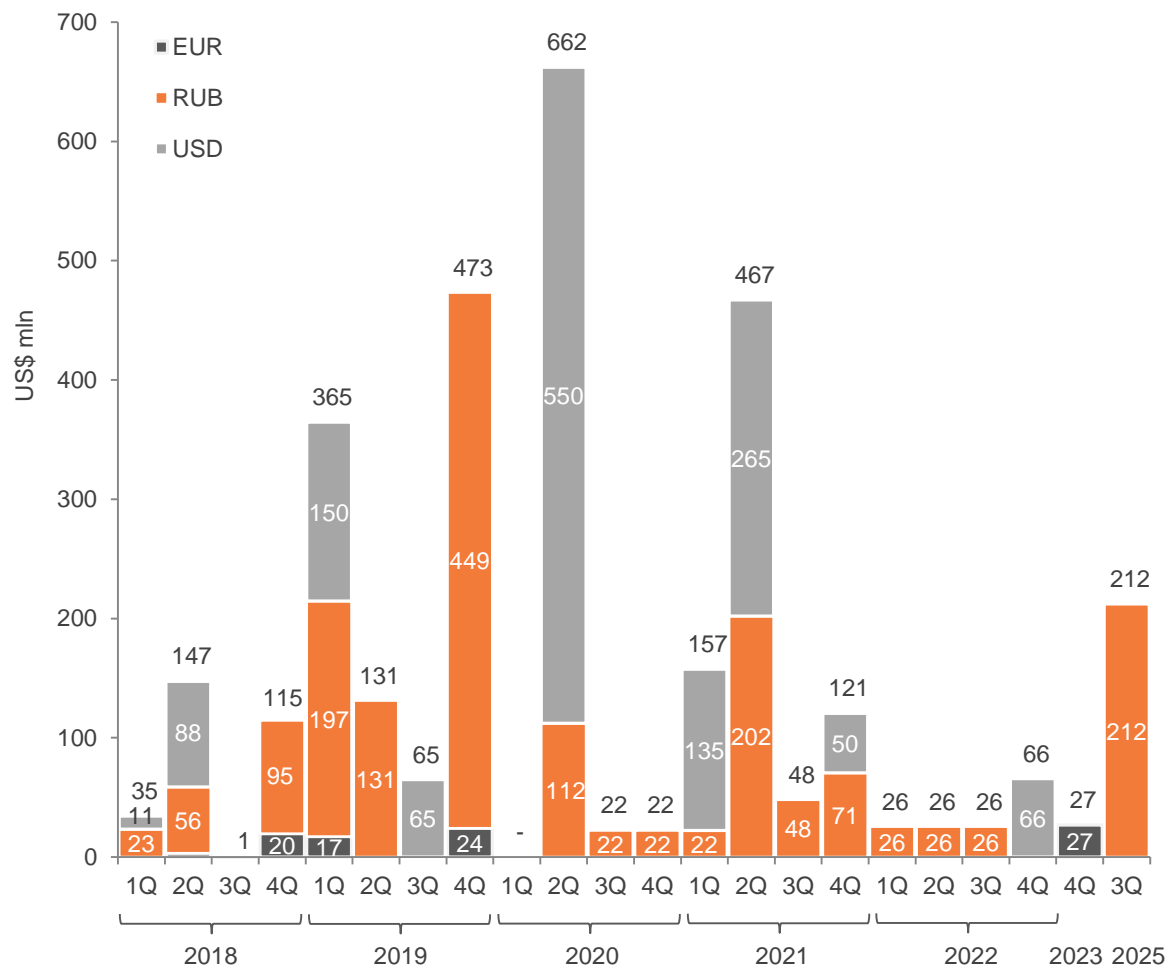
- Maximize operating cash flow
- Monetize international assets, strategic alliances and joint ventures in all regions of presence
- Reduce leverage to 3.0x Net Debt<sup>(a)</sup>/ EBITDA<sup>(b)</sup> as of FY2019
- Reduce leverage to 2.5x Net Debt<sup>(a)</sup>/ EBITDA<sup>(b)</sup> as of FY2021

Note: (a) Net Debt represents interest bearing loans and borrowings plus liability under finance lease less cash and cash equivalents and short-term financial investments

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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

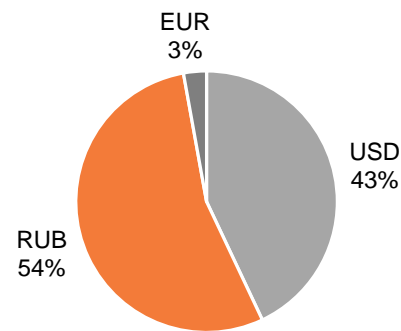


# Comfortable Maturity Profile as at March 01, 2018



- As of December 31, 2017, Net Debt amounted to US\$2,688 mln
- In April 2017, TMK placed a RUB 5 billion 10-year bond with a 9.75% coupon rate
- In June 2017, TMK placed a RUB 10 billion 10-year bond with a 9.35% coupon rate
- In January 2018, TMK fully redeemed the remaining part of its US\$500 mln 7-year Eurobond issue in the total nominal value of US\$231 mln
- The weighted average nominal interest rate decreased by 86 bps over the year to 8.16% as of the end of FY 2017
- Credit Ratings:
  - ✓ S&P B+, Stable
  - ✓ Moody's B1, Stable

## Debt currency structure



Source: TMK management accounts (figures based on non-IFRS measures), TMK estimates

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.

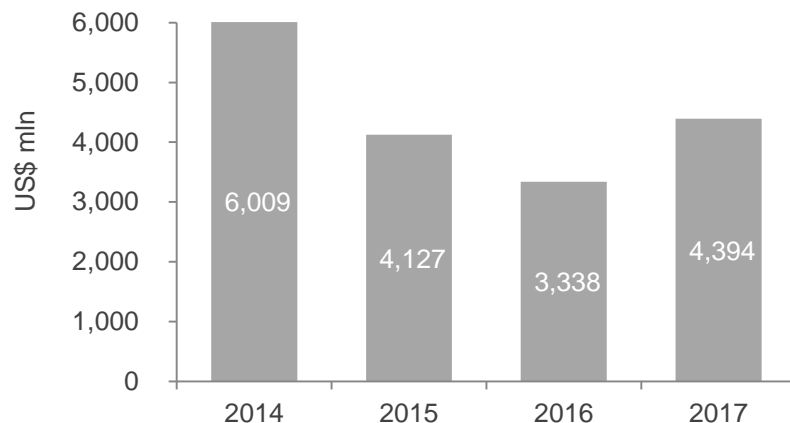


## Summary Financial Results

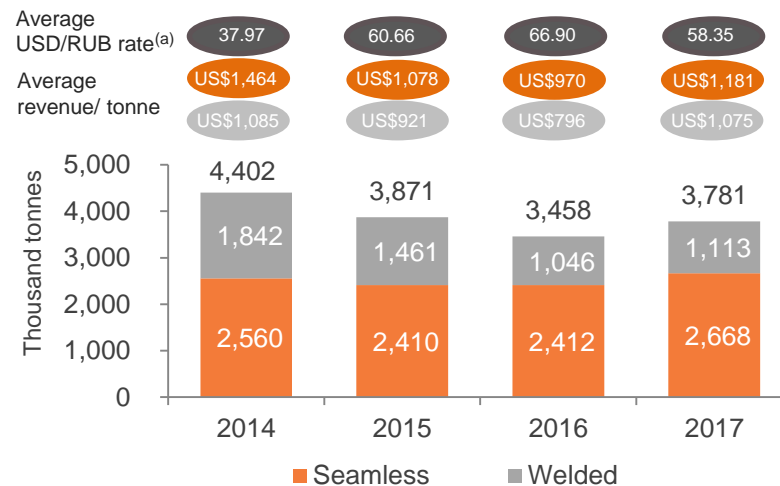


# FY Consolidated Results Snapshot

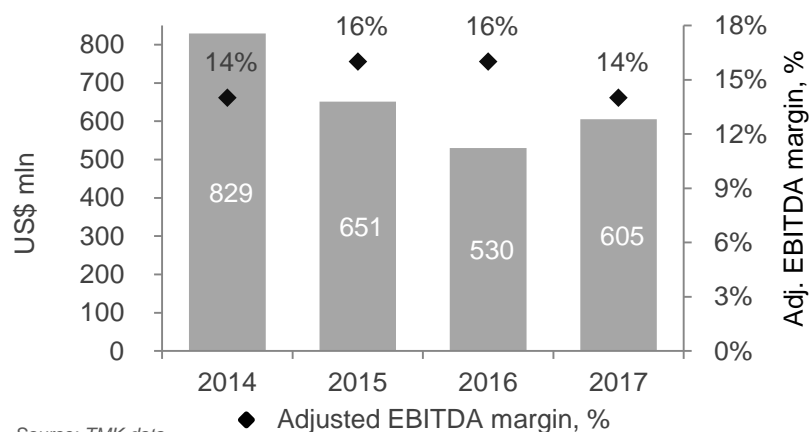
## Revenue



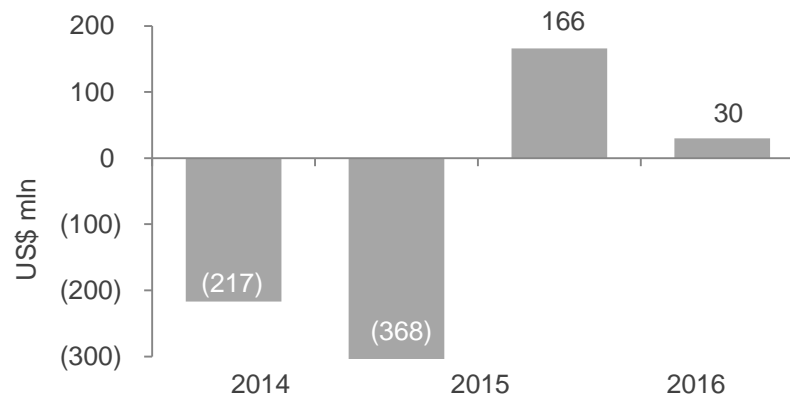
## Volumes and realised prices



## Adjusted EBITDA<sup>(b)</sup>



## Net profit



Source: TMK data

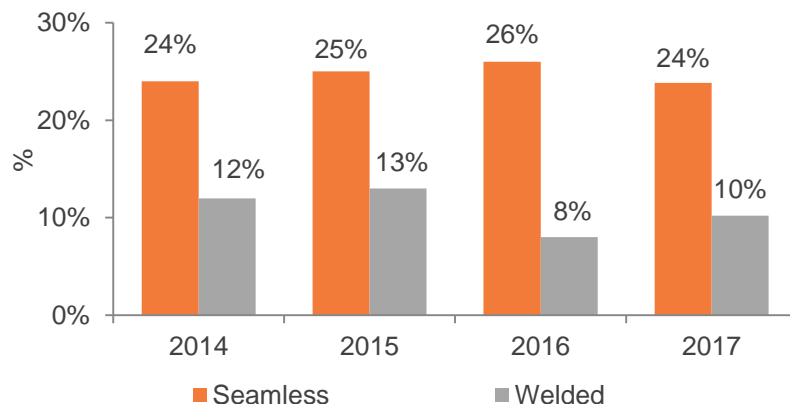
Note: (a) Average nominal USD/RUB exchange rate as published by the Central Bank of Russia.

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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

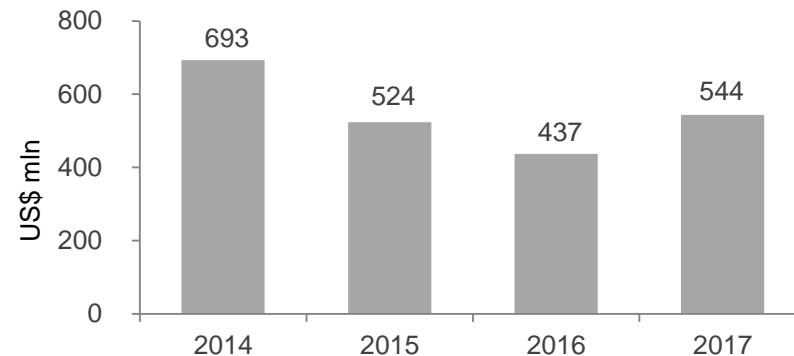


# Gross Margin, SG&A and Cash Conversion

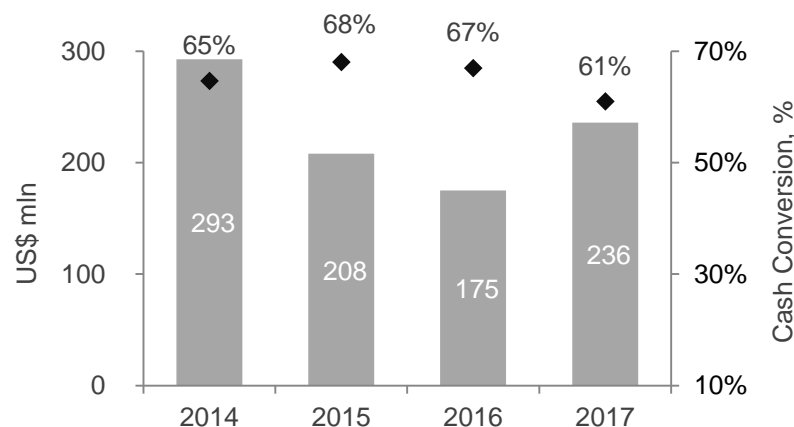
## Gross margin



## SG&A and corporate overheads<sup>(a)</sup>



## Capex and cash conversion<sup>(b)</sup>



## Key considerations

- Gross margin resilient through the cycle across both product lines
- Seamless segment accounting for more than 80% of consolidated gross profit and demonstrates consistently superior margins
- Major reduction in SG&A in response to the revenue decline in 2015-16
- Relatively high share of fixed costs in seamless segment provides strong leverage to volume growth
- Significantly optimized lean cost structure due to stringent efficiency measures

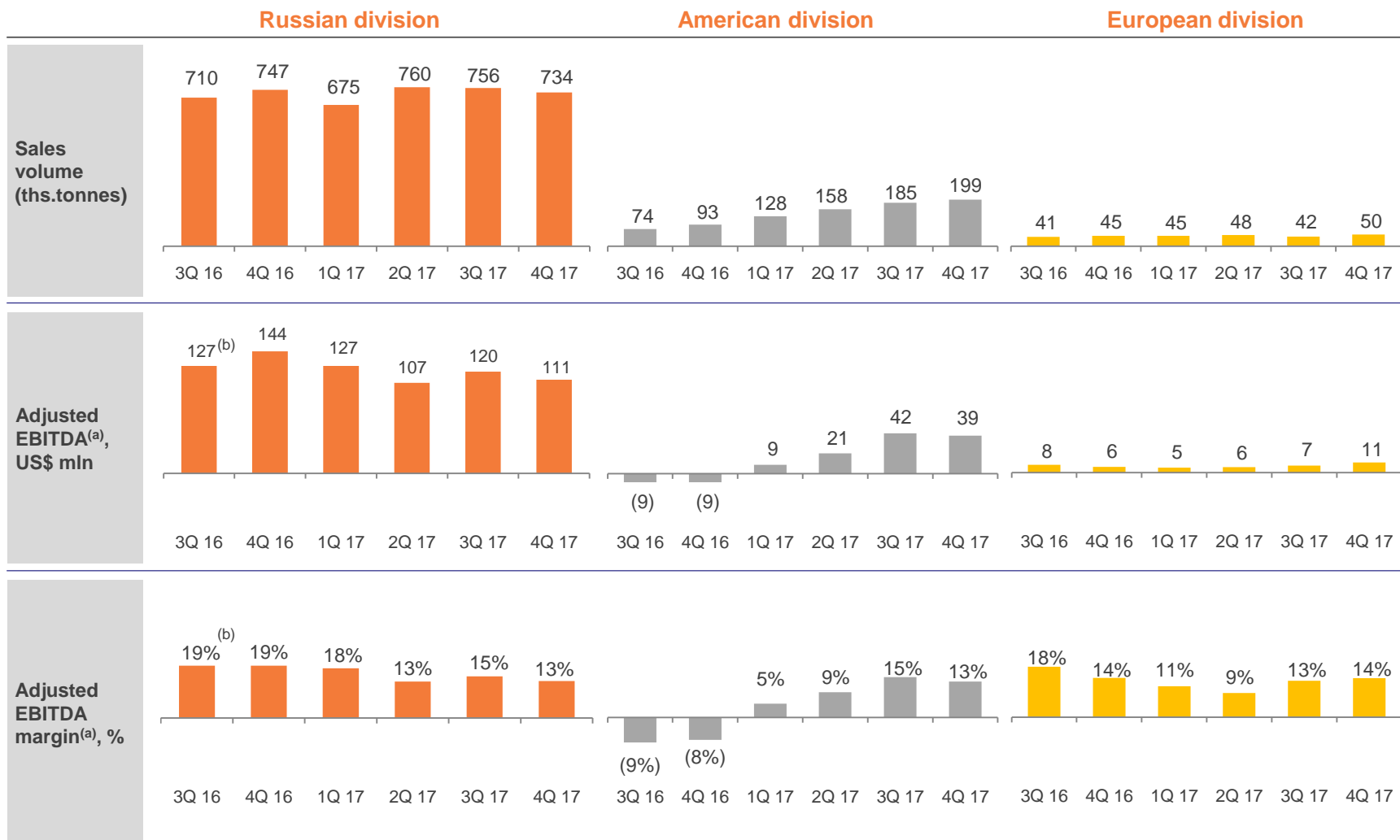
Source: TMK data

Note: (a) Based on IFRS financial statements. Calculated as Gross Profit less Operating profit

(b) Calculated as (Adjusted EBITDA – Capex) / Adjusted EBITDA. Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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



# Segmental Quarterly Performance Dynamics



Source: TMK data

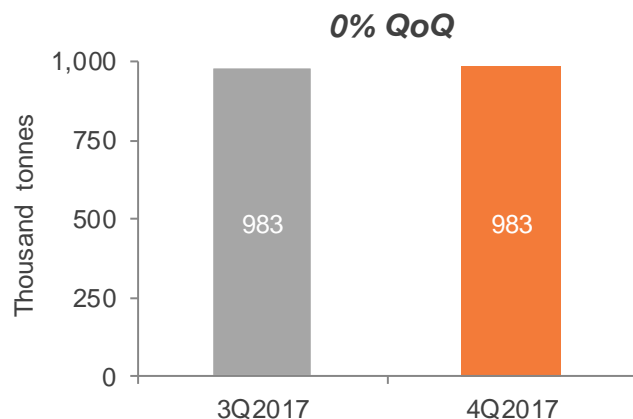
Note: (a) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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 item

(b) Restated

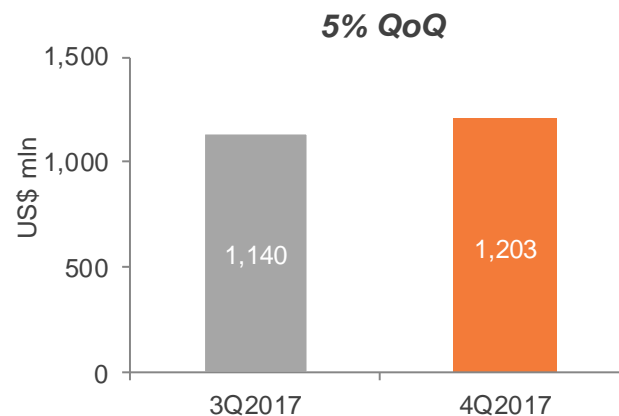


## 4Q 2017 vs. 3Q 2017 Summary Financial Highlights

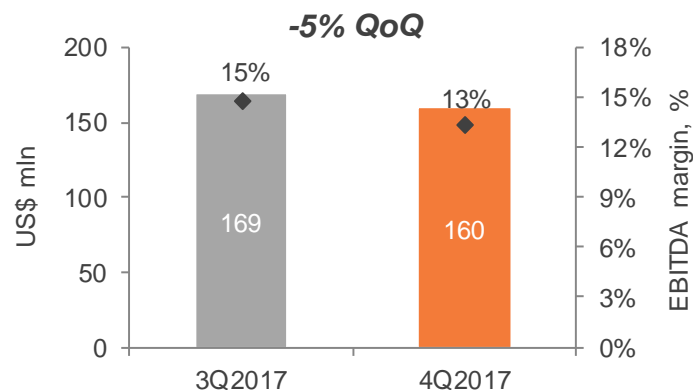
**Sales** were flat QoQ, with lower sales at the Russian division offset by stronger pipe sales at the American and European divisions



**Revenue** increased QoQ, due to improved performance at the European division, higher sales at the American division and stronger consumption of seamless OCTG and line pipe at the Russian division



**Adjusted EBITDA** decreased QoQ, largely due to higher raw material prices and lower welded pipe sales at the Russian division



**Net loss** amounted to \$16 mln in 4Q 2017, compared to a net income in the prior quarter, mainly due to lower operating profit and an impairment of assets

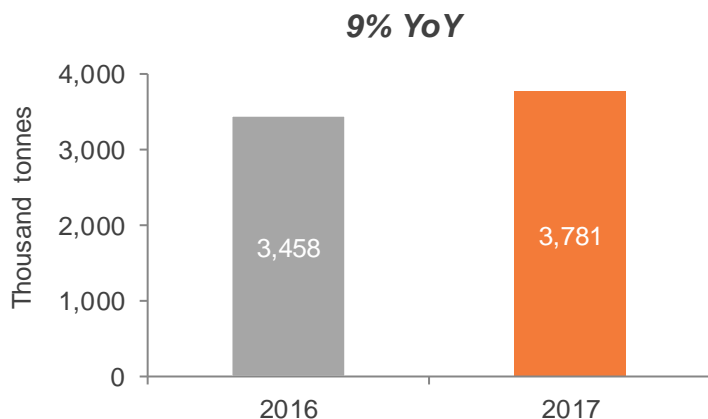


Source: TMK data

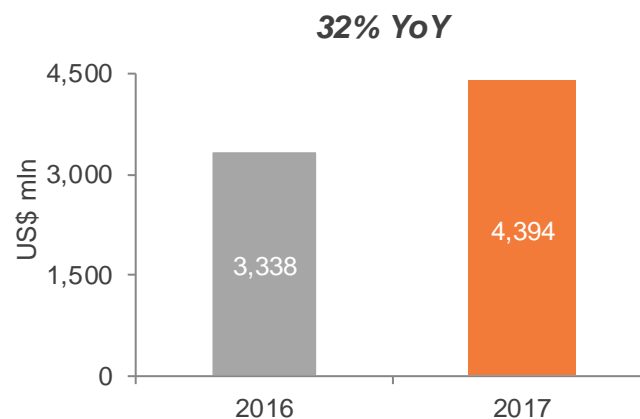


# FY 2017 vs. FY 2016 Summary Financial Highlights

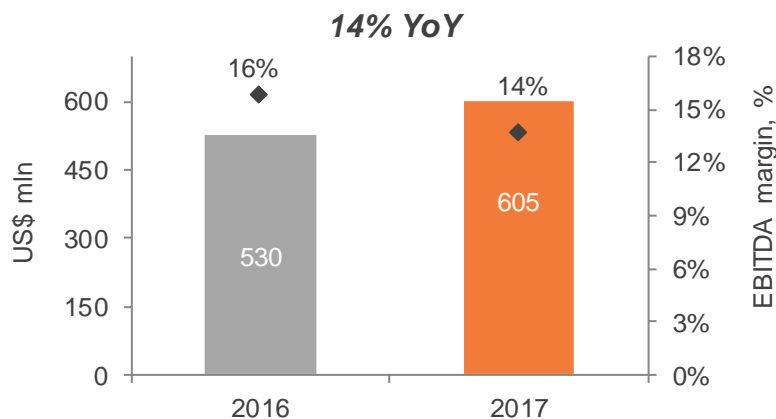
**Sales** were up YoY, driven by 2.4-fold increase in sales at the American division



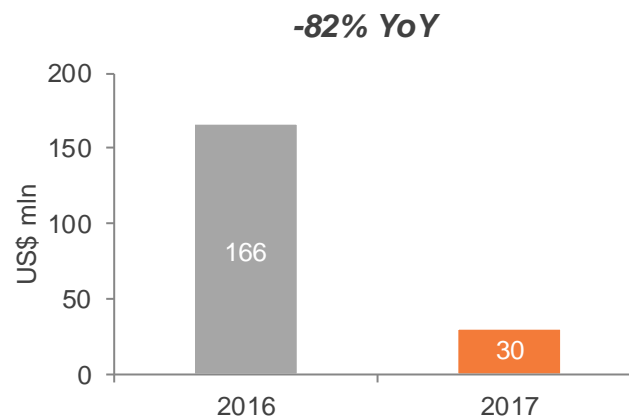
**Revenue** increased YoY, driven by strong sales and improved pricing at the American division and a positive effect of currency translation



**Adjusted EBITDA** increased YoY, driven by a much stronger performance from the American division



**Net profit** decreased YoY, mainly reflecting a lower FX gain compared to FY 2016



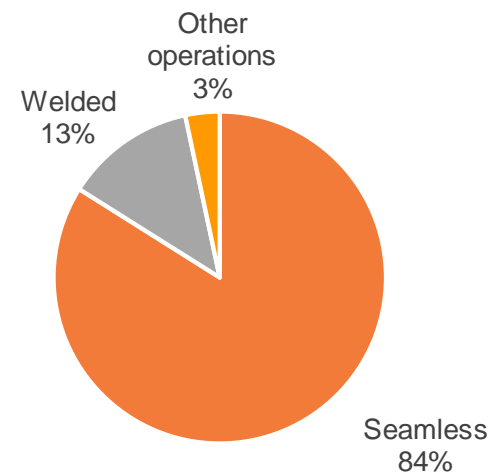
Source: TMK data



# Seamless – Core to Profitability

	US\$ mln (unless stated otherwise)	4Q2017	QoQ, %	2017	YoY, %
SEAMLESS	Sales - Pipes, kt	691	11%	2,668	11%
	<b>Revenue</b>	<b>816</b>	10%	<b>3,074</b>	31%
	Gross profit	178	-9%	732	21%
	Margin, %	22%		24%	
	Avg revenue/tonne (US\$)	1,181	-1%	1,152	19%
	Avg gross profit/tonne (US\$)	258	-18%	274	9%
WELDED	Sales - Pipes, kt	292	-19%	1,113	6%
	<b>Revenue</b>	<b>314</b>	-7%	<b>1,086</b>	30%
	Gross profit	22	-36%	111	62%
	Margin, %	7%		10%	
	Avg revenue/tonne (US\$)	1,075	15%	976	23%
	Avg gross profit/tonne (US\$)	75	-22%	100	52%

## FY 2017 gross profit breakdown



- Sales of seamless pipe generated 70% of the total revenue in FY 2017
- Gross profit from seamless pipe sales represented 84% of FY 2017 total gross profit
- Gross profit margin from seamless pipe sales amounted to 24% in FY 2017

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.



## **Appendix – Summary Financial Accounts**



# Key Consolidated Financial Highlights

(US\$mIn) <sup>(a)</sup>	2017	2016	2015	2014	2013
<b>Revenue</b>	<b>4,394</b>	<b>3,338</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>
<b>Adjusted EBITDA<sup>(b)</sup></b>	<b>605</b>	<b>530</b>	<b>651</b>	<b>829</b>	<b>986</b>
<i>Adjusted EBITDA Margin<sup>(b)</sup> (%)</i>	<i>14%</i>	<i>16%</i>	<i>16%</i>	<i>14%</i>	<i>15%</i>
<b>Profit (Loss)</b>	<b>30</b>	<b>166</b>	<b>(368)</b>	<b>(217)</b>	<b>215</b>
<i>Net Profit Margin (%)</i>	<i>1%</i>	<i>5%</i>	<i>n/a</i>	<i>n/a</i>	<i>3%</i>
Pipe Sales ('000 tonnes)	3,781	3,458	3,871	4,402	4,287
Average Net Sales/tonne (US\$) <sup>(c)</sup>	1,162	965	1,066	1,365	1,500
Cash Cost per tonne (US\$) <sup>(d)</sup>	862	692	783	1,030	1,108
Cash Flow from Operating Activities	312	476	684	595	703
Capital Expenditure <sup>(e)</sup>	236	175	208	293	397
Total Debt <sup>(f)</sup>	3,239	2,836	2,801	3,223	3,694
Net Debt <sup>(f)</sup>	2,688	2,479	2,471	2,939	3,568
Short-term Debt/Total Debt	18%	9%	21%	24%	11%
Net Debt/Adjusted EBITDA	4.4x	4.7x	3.8x	3.5x	3.6x
Adjusted EBITDA/Finance Costs	2.3x	2.0x	2.3x	3.6x	3.9x

Source: TMK Consolidated Financial Statements for 2017, 2016, 2015 and 2014

(a) IFRS financials figures were rounded for the presentation's purposes. Minor differences with FS may arise due to rounding

(b) Adjusted EBITDA represents profit/(loss) for the period excluding finance costs and finance income, income tax (benefit)/expense, depreciation and amortisation, foreign exchange (gain)/loss, impairment/ (reversal of impairment) of non-current assets, movements in allowances and provisions (except for provisions 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.

(c) Sales include other operations and is calculated as Revenue divided by sales volumes tonnes

(d) Cash Cost per Tonne is calculated as Cost of Sales less Depreciation & Amortisation divided by sales volumes

(e) Purchase of PP&E investing cash flows

(f) Total Debt represents loans and borrowings less interest payable; Net Debt represents Total debt less cash and cash equivalents and short-term financial investments



# Income Statement

<i>(US\$ mln)</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	<b>4,394</b>	<b>3,338</b>	<b>4,127</b>	<b>6,009</b>	<b>6,432</b>
Cost of sales	(3,521)	(2,634)	(3,282)	(4,839)	(5,074)
<b>Gross Profit</b>	<b>872</b>	<b>704</b>	<b>845</b>	<b>1,169</b>	<b>1,358</b>
Selling and Distribution Expenses	(261)	(220)	(260)	(350)	(379)
General and Administrative Expenses	(231)	(196)	(207)	(278)	(317)
Advertising and Promotion Expenses	(7)	(6)	(8)	(14)	(12)
Research and Development Expenses	(11)	(11)	(13)	(15)	(13)
Other Operating Expenses, Net	(34)	(4)	(35)	(35)	(34)
Foreign Exchange Gain / (Loss)	28	130	(141)	(301)	(49)
Finance Costs, Net	(268)	(263)	(269)	(226)	(245)
Other	(10)	35	(354)	(150)	5
<b>Income / (Loss) before Tax</b>	<b>78</b>	<b>169</b>	<b>(443)</b>	<b>(201)</b>	<b>312</b>
Income Tax (Expense) / Benefit	(48)	(4)	75	(15)	(98)
<b>Net Income / (Loss)</b>	<b>30</b>	<b>165</b>	<b>(368)</b>	<b>(217)</b>	<b>215</b>

Source: TMK Consolidated Financial Statements for 2017, 2016, 2015 and 2014

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.

(a) Calculated as Finance income less Finance costs



# Statement of Financial Position

(US\$ mln)	2017	2016	2015	2014	2013
<b>ASSETS</b>					
Cash and Cash Equivalents	491	277	305	253	93
Accounts Receivable	871	689	512	728	995
Inventories	1,121	769	785	1,047	1,324
Prepayments	139	107	113	113	148
Other Financial Assets	0	42	0	1	0
<b>Total Current Assets</b>	<b>2,624</b>	<b>1,883</b>	<b>1,715</b>	<b>2,142</b>	<b>2,561</b>
<b>Total Non-current Assets</b>	<b>2,913</b>	<b>2,853</b>	<b>2,697</b>	<b>3,508</b>	<b>4,857</b>
<b>Total Assets</b>	<b>5,537</b>	<b>4,736</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>
<b>LIABILITIES AND EQUITY</b>					
Accounts Payable	950	735	682	831	1,111
ST Debt	610	268	600	764	398
Other Liabilities	178	48	41	48	62
<b>Total Current Liabilities</b>	<b>1,738</b>	<b>1,051</b>	<b>1,323</b>	<b>1,643</b>	<b>1,571</b>
LT Debt	2,725	2,650	2,201	2,459	3,296
Deferred Tax Liability	82	90	110	206	298
Other Liabilities	59	47	64	71	125
<b>Total Non-current Liabilities</b>	<b>2,866</b>	<b>2,786</b>	<b>2,374</b>	<b>2,735</b>	<b>3,718</b>
<b>Equity</b>	<b>933</b>	<b>899</b>	<b>715</b>	<b>1,271</b>	<b>2,130</b>
Including Non-Controlling Interest	50	55	53	66	96
<b>Total Liabilities and Equity</b>	<b>5,537</b>	<b>4,736</b>	<b>4,412</b>	<b>5,649</b>	<b>7,419</b>
Net Debt	2,688	2,479	2,471	2,969	3,600

Source: TMK Consolidated Financial Statements for 2017, 2016, 2015 and 2014

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.



# Cash Flow

<i>(US\$ mln)</i>	2017	2016	2015	2014	2013
Profit / (Loss) before Income Tax	78	169	(443)	(201)	312
<i>Adjustments for:</i>					
Depreciation and Amortisation	263	242	251	304	326
Net Finance Cost	268	263	269	226	245
Others	(260)	(154)	552	479	61
Working Capital Changes	(253)	(13)	105	(159)	(159)
<b>Cash Generated from Operations</b>	<b>349</b>	<b>506</b>	<b>734</b>	<b>648</b>	<b>786</b>
Income Tax Paid	(38)	(31)	(51)	(53)	(82)
<b>Net Cash from Operating Activities</b>	<b>312</b>	<b>476</b>	<b>684</b>	<b>595</b>	<b>703</b>
Capex	(236)	(175)	(208)	(293)	(397)
Acquisitions	1	(11)	(2)	(60)	(38)
Others	0	106	25	10	12
<b>Net Cash Used in Investing Activities</b>	<b>(235)</b>	<b>(81)</b>	<b>(185)</b>	<b>(343)</b>	<b>(423)</b>
Net Change in Borrowings	318	(53)	(193)	154	(93)
Others	(197)	(365)	(187)	(206)	(313)
<b>Net Cash Used in Financing Activities</b>	<b>121</b>	<b>(418)</b>	<b>(381)</b>	<b>(53)</b>	<b>(407)</b>
Net Foreign Exchange Difference	17	(5)	(65)	(40)	(5.0)
Cash and Cash Equivalents at January 1	277	305	253	93	225
<b>Cash and Cash Equivalents at YE</b>	<b>491</b>	<b>277</b>	<b>305</b>	<b>253</b>	<b>93</b>

Source: TMK Consolidated Financial Statements for 2017, 2016, 2015 and 2014

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

(a) Calculated as Finance costs less Finance income

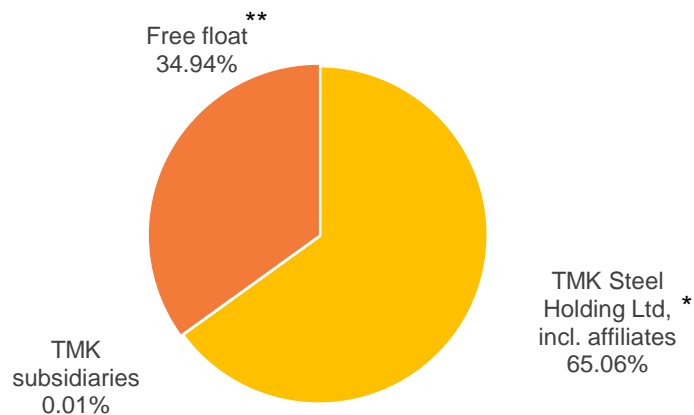


## **Appendix – Capital Structure and Corporate Governance**



# Capital Structure

## Capital structure



\*The beneficiary is Dmitry Pumpyanskiy, Chairman of the Board of Directors of TMK. Includes shares owned by TMK Steel Holding Ltd and subsidiaries of TMK

\*\*Including Rusnano (5.3%)

Source: TMK

## Key considerations

- TMK's securities are listed on the London Stock Exchange and the Moscow Exchange
- As of December 31, 2017 35% of TMK ordinary shares were in free float
- Total shares outstanding amount to 1,033,135,366
- One GDR represents four ordinary shares



# TMK Corporate Governance

## Key considerations

- The Board of Directors is comprised of 11 members, including 5 independent directors, 4 non-executive directors and 2 executive directors.
- The Board of Directors has 3 standing committees, chairman of each committee is an independent director:
  - Audit Committee;
  - Nomination and Remuneration Committee;
  - Strategy Committee.
- TMK's day-to-day operations are managed by the CEO and the Management Board which consists of eight members.
- The Company has an integrated system of internal controls which provides assurance as to the efficiency and management of risks of operations.



**DMITRY PUMPYANSKIY, Chairman of the Board of Directors, non-executive director**

Born in 1964. Graduated from the Sergey Kirov Urals Polytechnic Institute in 1986. PhD in Technical Sciences, Doctor of Economics. Founder and beneficial majority shareholder of TMK

**Relevant experience:** Chairman of the Supervisory Board of Russian Agricultural Bank, Member of the Board of Directors at Rosagroleasing and SKB-Bank, President and Chairman of the Board of Directors of Sinara Group, member of the Management Board of the Russian Union of Industrialists and Entrepreneurs, CEO at TMK, CEO and a member of the Board of Directors of Sinara Group, Board member at various industrial and financial companies



**MIKHAIL ALEKSEEV, Independent director, Chairman of the Nomination and Remuneration Committee.**

Born in 1964. Graduated from the Moscow Finance Institute in 1986. Doctor of Economics.

**Relevant experience:** Chairman of the Management Board of UniCredit Bank, Chairman of the Supervisory Board of LLC UniCredit Leasing, Chairman of the Board and President of "Rossiysky Promyshlenny Bank" (Rosprombank), Senior Vice President and Deputy Chairman of the Management Board of Rosbank, Deputy Chairman of the Management Board of ONEXIM Bank, Deputy Head of the General Directorate of the Ministry of Finance of the USSR.



**PETER O'BRIEN, Independent director, Chairman of the Audit Committee**

Born in 1969. Graduated from Duke University (USA) in 1991 and obtained an MBA from Columbia University Business School in 2000 and completed the AMP at Harvard Business School in 2011.

**Relevant experience:** Member of the Management Board, Vice President, Head of the Group of Financial Advisors to the President of Rosneft, Co-Head of Investment Banking, Executive Director of Morgan Stanley in Russia, Vice President at Troika Dialog Investment Company, Press Officer at the US Treasury, Chairman of the Board of Directors of PAO TransFin-M and member of the Board of Directors of PAO T Plus.



**ALEKSANDER SHOKHIN, Independent director, Chairman of the Strategy Committee**

Born in 1951. Graduated from the Lomonosov Moscow State University in 1974. PhD, Doctor of Economics, Professor.

**Relevant experience:** President of the Russian Union of Industrialists and Entrepreneurs, President of the Higher School of Economics State University, member of the Board of Directors of AO Russian Small and Medium Business Corporation, Board member at Lukoil, Russian Railways, member of the Public Chamber of the Russian Federation, member of the State Duma, Minister of Labour and Employment and Minister of Economic Affairs, Head of the Russian Agency for International Cooperation and Development, twice appointed as Deputy Head of the Russian Government, Russia's representative to IMF and World Bank.



**SERGEY KRAVCHENKO, Independent director, member of the Board of Directors**

Born in 1960. Graduated from the Moscow State University of Mechanical Engineering in 1982. Professor, Doctor of Technical Science.

**Relevant experience:** President of Boeing Russia and CIS since 2002, responsible for the company's business development in Russia and CIS. Prior to joining Boeing in 1992 was a lead member of the Russian Academy of Sciences.



**ROBERT MARK FORESMAN, Independent director, member of the Board of Directors**

Born in 1968. Graduated from Bucknell University (USA) in 1990 and Harvard University Graduate School of Arts & Sciences in 1993.

**Relevant experience:** Head of Barclays Capital in Russia, Deputy Chairman of the Management Board at Renaissance Capital, Chairman of the Management Committee for Russia and CIS at Dresdner Kleinwort Wasserstein, Head of Investment Banking for Russia and CIS at ING Barings, Vice Chairman at UBS Investment Bank.



## Appendix – TMK Products



# Wide Range of Products

## Seamless



**OCTG**

Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.



**Line Pipe**

The short-distance transportation of crude oil, oil products and natural gas.



**Industrial**

Automotive, machine building, and power generation sectors.

## Welded



**OCTG**

Threaded pipes for the oil and gas industry including drill pipe, casing and tubing.



**Line Pipe**

The short-distance transportation of crude oil, oil products and natural gas.



**Large-Diameter**

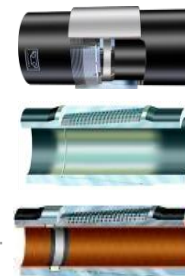
Construction of trunk pipeline systems for the long distance transportation of natural gas, crude oil and petroleum products.



**Industrial**

Wide array of applications and industries, including utilities and agriculture.

## Premium



**Premium Connections (TMK UP)**

Premium connections are proprietary value-added products used to connect OCTG pipes and are used in sour, deep well, off-shore, low temperature and other high-pressure applications.

## Oilfield Services

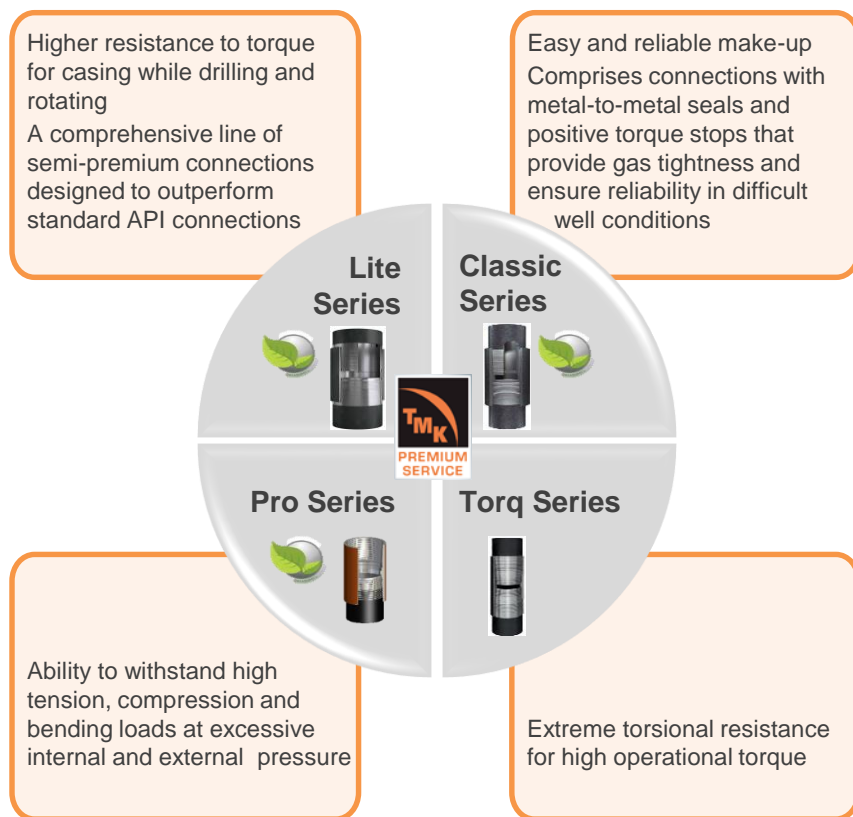
Well equipment precision manufacturing, tools' rental, supervising, inventory management, threading and coating services.





# TMK Premium Product Offering

## TMK connections series



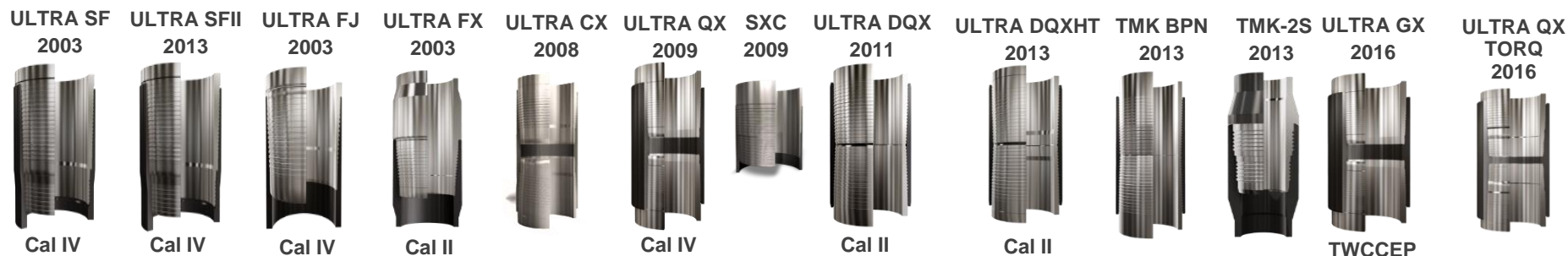
## Premium products and services

- TMK to maintain its share of premium connections market with greater focus on sales of 2<sup>nd</sup> and 3<sup>rd</sup> generation premium connections to improve sales efficiency and enhance competitive advantage
- TMK is actively developing HI-TECH products for unconventional reserves, including offshore deposits:
  - OCTG: with Premium threading, Cr13, GreenWell technology, alloy OCTG (L80, C90, T95, P110) mostly with Premium threading
  - Stainless steel pipe
  - Pipe with increased corrosion resistance
  - Vacuum insulated tubing
  - LDP

Pipes with premium connections are designed for O&G wells developed in challenging exploration and production conditions, including offshore, deep-sea and Far North locations, as well as for horizontal and directional wells

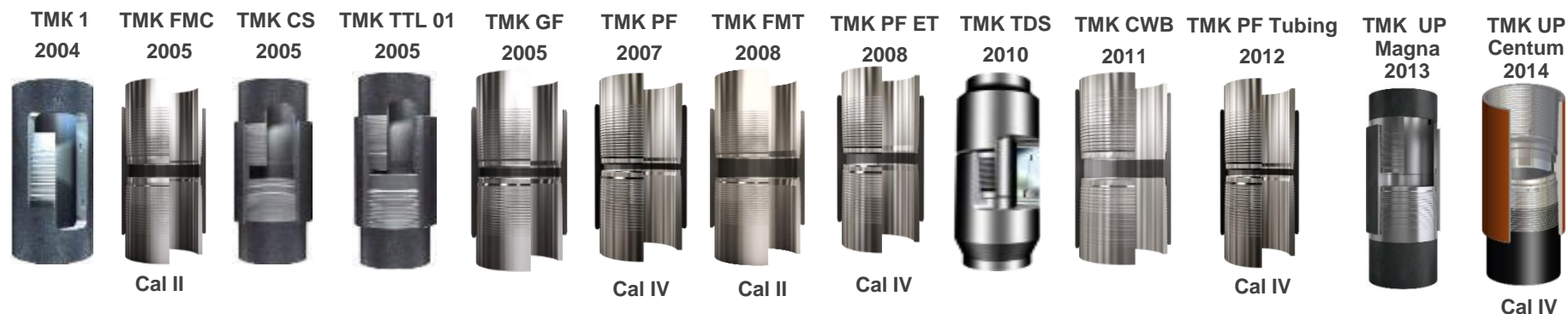


# Premium Solutions: TMK UP



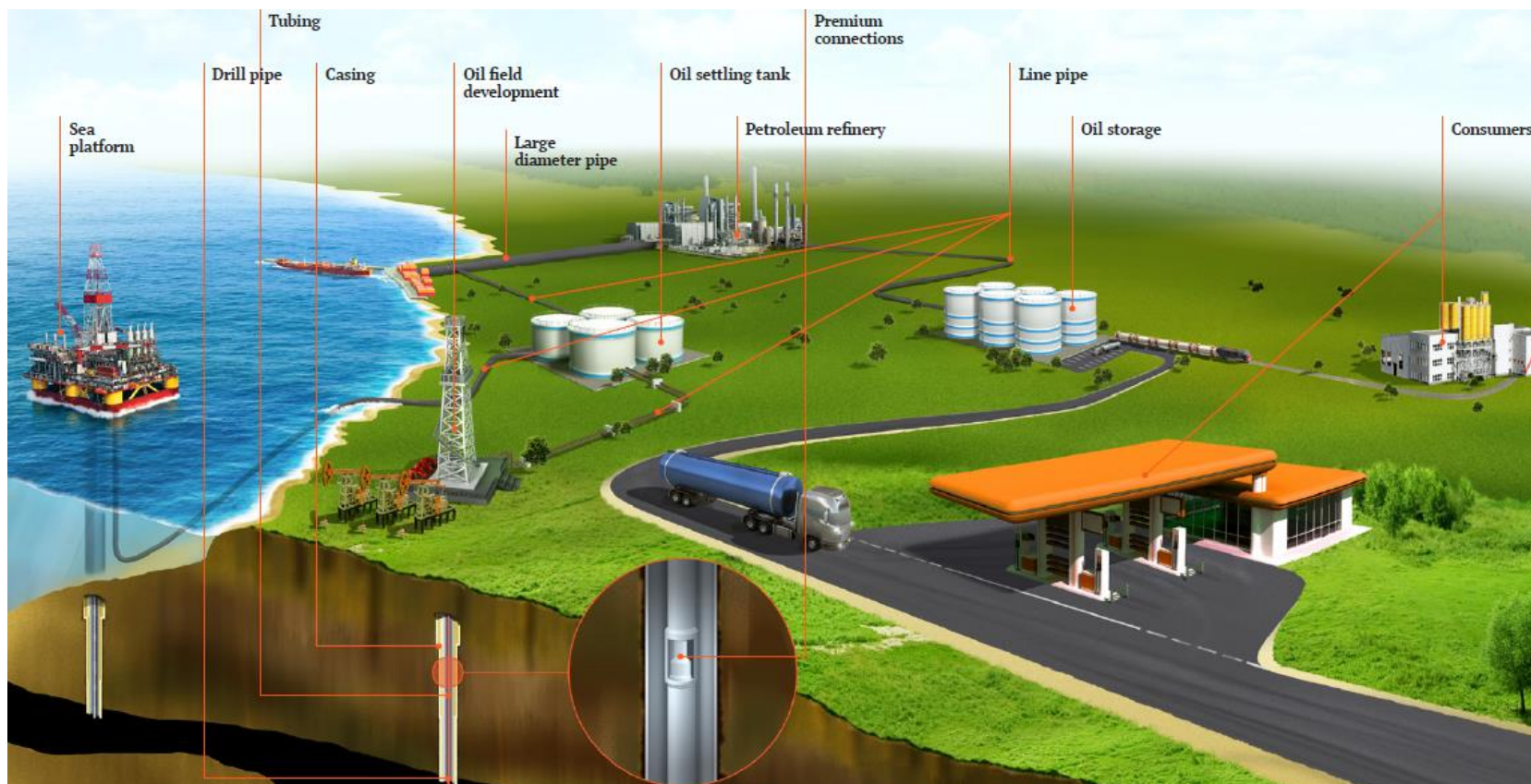
## Unique range of Premium products

- 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





# Utilisation of TMK Pipe Products in Oil and Gas Industry



- **OCTG** – Oil Country Tubular Goods (drilling, casing, tubing) used for oil & gas exploration, well fixing and oil & gas production (46% of total sales for FY 2017)
- **Line pipe** – used for short distance transportation of crude oil, oil products and natural gas (23% of total sales for FY 2017)
- **LDP** - large diameter pipe used for construction of trunk pipeline systems for long distance transportation of natural gas, crude oil and petroleum products (7% in total sales for FY 2017)

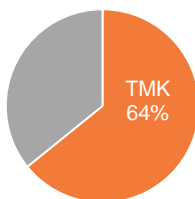


## Appendix – Other Materials



# TMK's Undisputed Market Leading Position in Russia

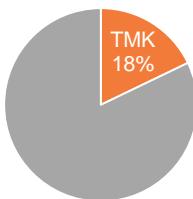
## Seamless



### OCTG

Threaded pipes for O&G industry including drill pipe, casing and tubing

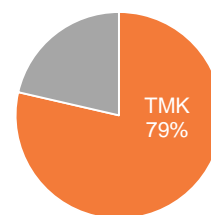
## Welded



### Line Pipe

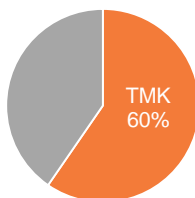
Short-distance transportation of O&G and oil products

## Premium



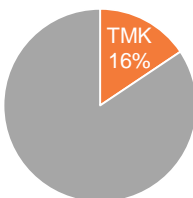
### Premium Connections (TMK UP)

Premium connections are proprietary value-added products used to connect OCTG pipes and are used in sour, deep well, off-shore, low temperature and other high-pressure applications



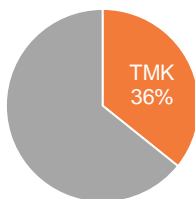
### Line Pipe

Short-distance transport of crude oil, oil products and natural gas



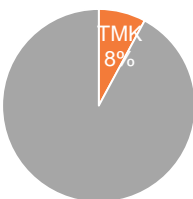
### Large Diameter

Construction of trunk pipeline systems for long distance transportation of O&G and petroleum products



### Industrial

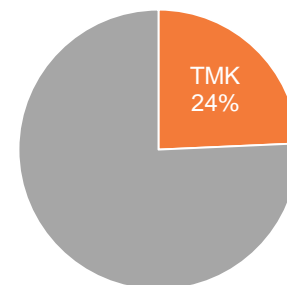
Automotive, machine building, and power generation sectors



### Industrial

Wide array of applications and industries, including utilities and agriculture

## #1 in the Russian Tube and Pipe Market



Source: TMK estimates, based on FY 2017 numbers

TMK will continue to grow its market share due to expected increased competitiveness of domestically produced pipes vs. imported ones (due to RUB depreciation)



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