



Financial Presentation

2Q / 1H 2019 IFRS Results

August 16, 2019



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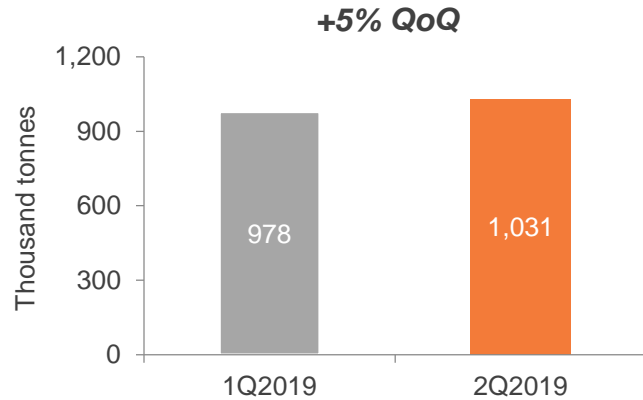


2Q / 1H 2019 Summary Financial Results and Market Update

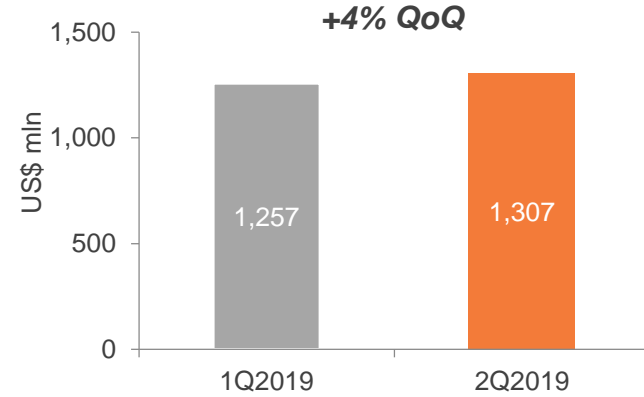


2Q 2019 vs. 1Q 2019 Summary Financial Highlights

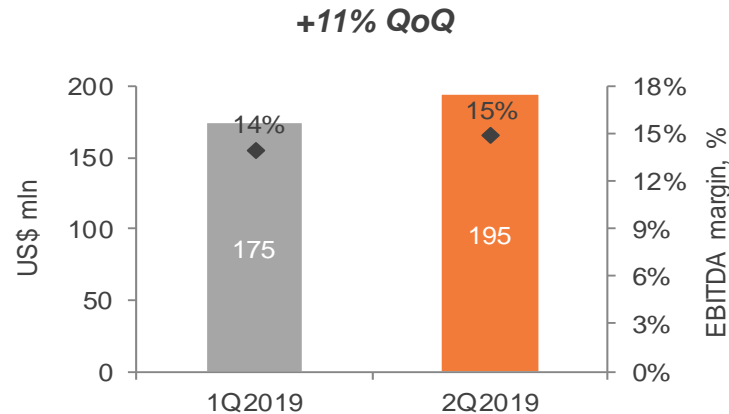
Sales were up QoQ, mainly due to higher sales at the Russian division



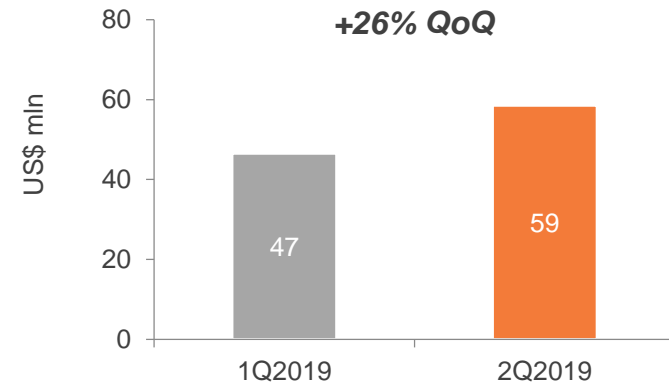
Revenue was higher QoQ, mainly due to a stronger performance at the Russian division



Adjusted EBITDA was up QoQ, mainly due to stronger EBITDA at the Russian division



Net profit was up QoQ

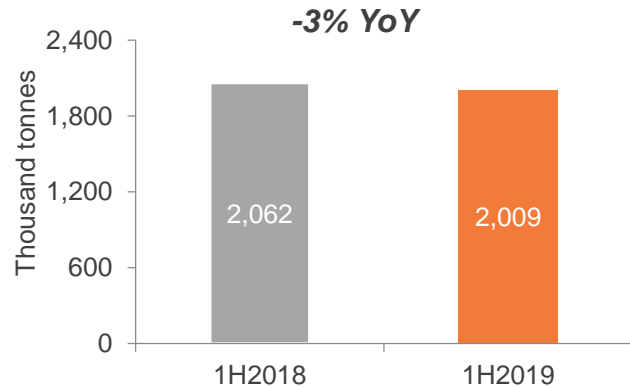


Source: TMK data

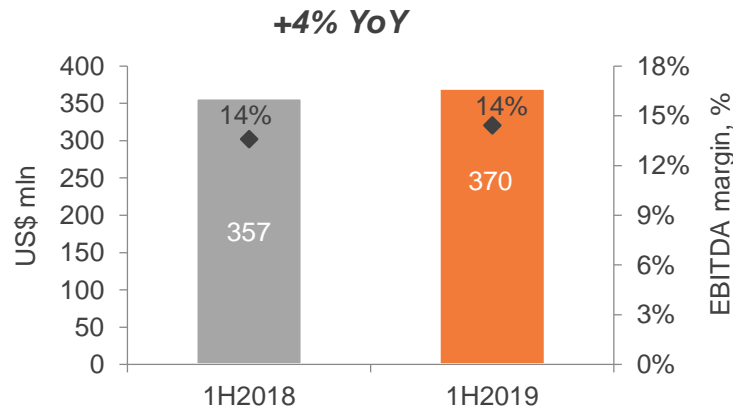


1H 2019 vs. 1H 2018 Summary Financial Highlights

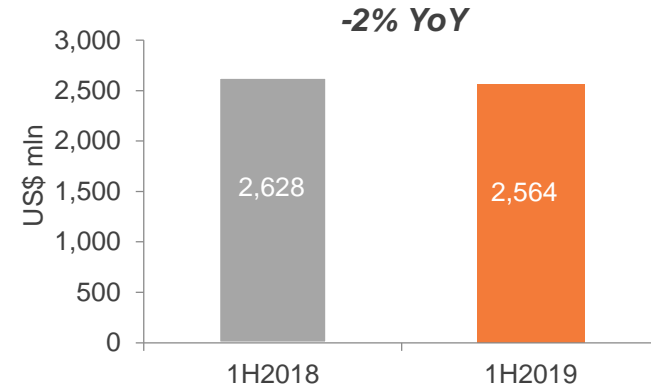
Sales declined YoY, mainly due to lower sales at the American division, which was partially compensated by higher sales at the Russian division



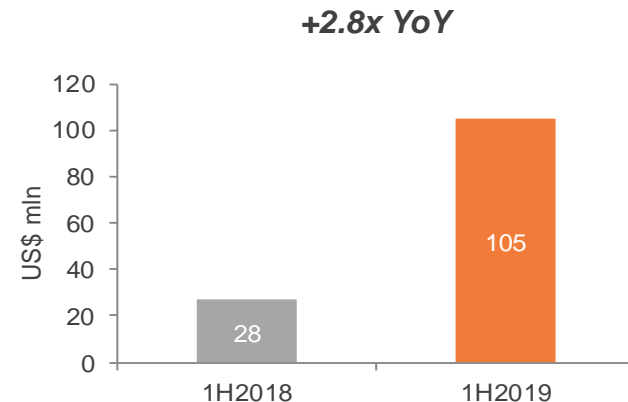
Adjusted EBITDA increased YoY, due to a stronger EBITDA at the Russian division, which was partially offset by weaker performance at the American division



Revenue declined YoY, mainly due to a lower revenue at the American division. This was partially compensated by higher revenue at the Russian division, despite a negative effect of currency translation



Net profit increased YoY, mainly due to a foreign exchange gain recorded in 1H 2019

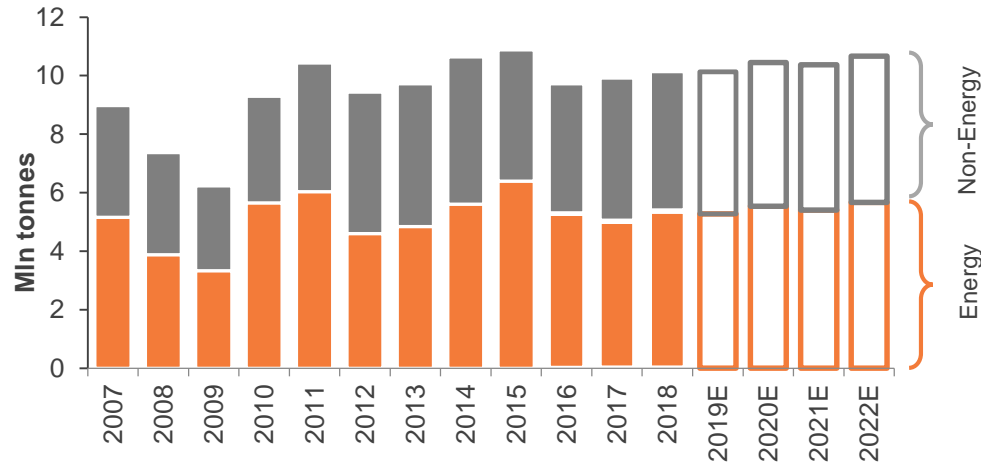


Source: TMK data



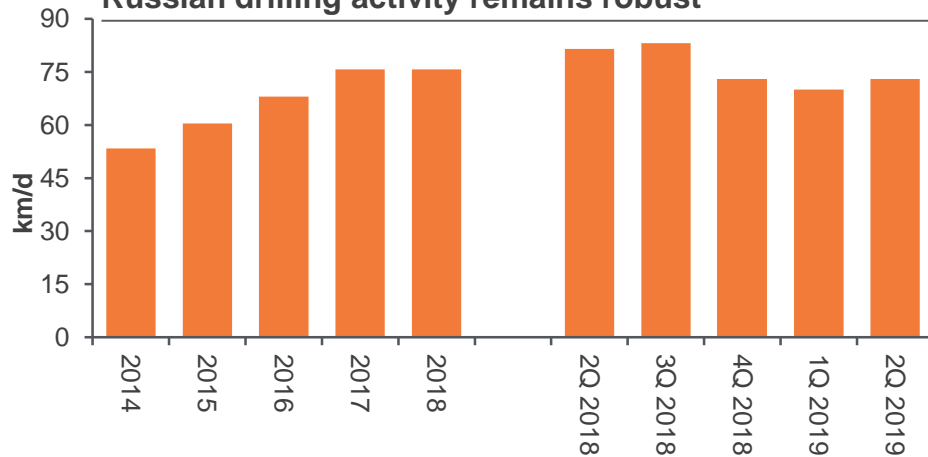
Russian Market Overview

Pipe market in Russia



Source: TMK estimates

Russian drilling activity remains robust



Source: CDU TEK

Key considerations

2Q 2019 vs. 1Q 2019

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

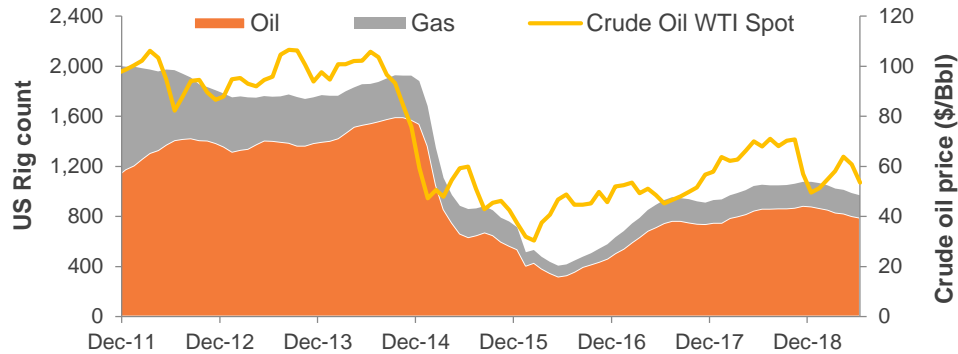
1H 2019 vs. 1H 2018

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



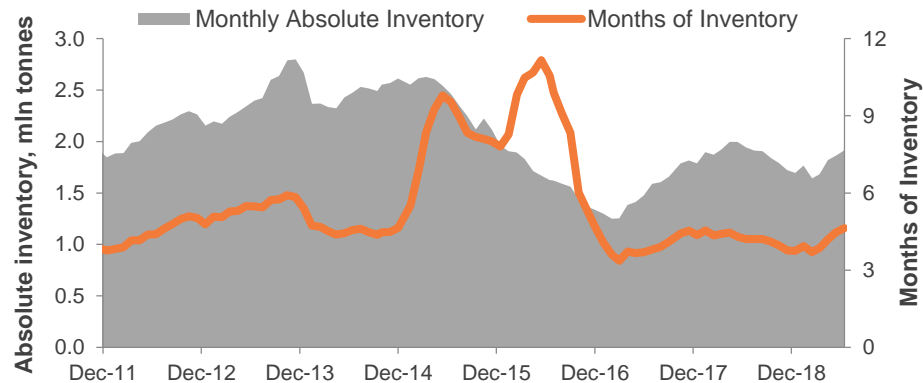
U.S. Market Overview

Rig count



Source: Baker Hughes, EIA

OCTG inventories



Source: Preston Pipe & Tube Report, Company data

Key considerations

2Q 2019 vs. 1Q 2019

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

1H 2019 vs. 1H 2018

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

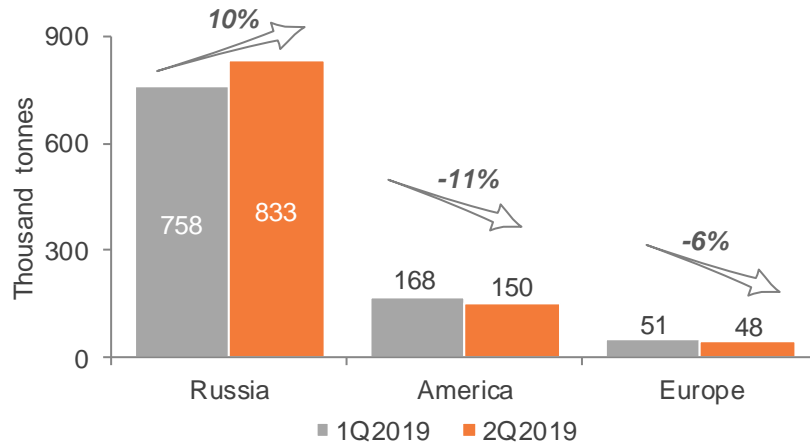


2Q 2019 vs. 1Q 2019 Results



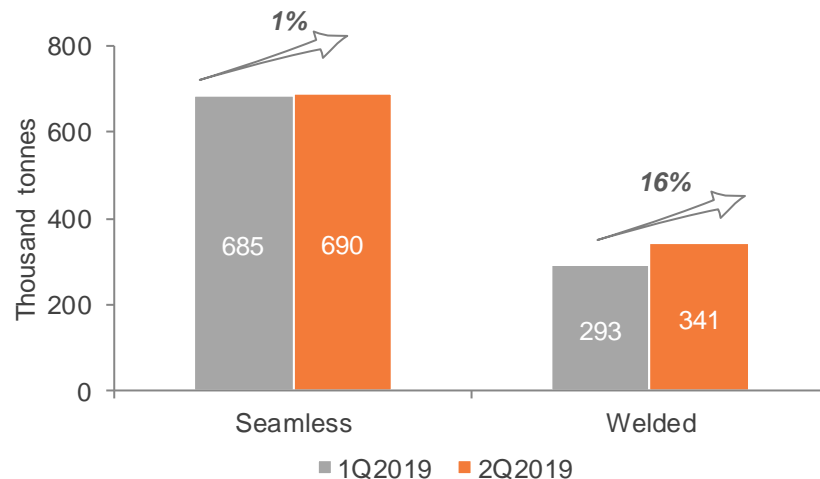
2Q 2019 vs. 1Q 2019 Sales by Division and Product Group

Sales by division



- Strong QoQ sales at the Russian division were driven mainly by higher sales of large diameter pipe
- American division sales decreased QoQ, mainly as a result of lower OCTG sales, due to the slowdown in the North American OCTG market with drilling activity decelerating and operators focused on capital discipline
- European division sales decreased QoQ, impacted by some slowdown in the European market

Sales by product group



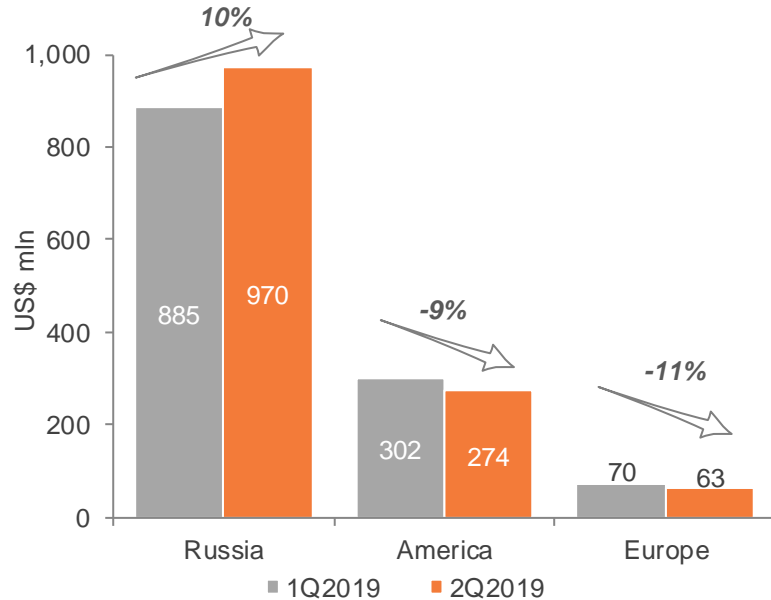
- Seamless pipe sales increased QoQ, due to higher seamless pipe sales at the Russian division
- Welded pipe sales increased QoQ, due to higher sales at the Russian division driven mainly by higher sales of large diameter pipe
- Total OCTG sales declined 5% QoQ, mainly as a result of lower OCTG sales at the Russian division as well as at the American division, due to a continued North American market slowdown, impacted by oil price volatility, a continued decrease in rig count and high pipe inventories

Source: TMK data

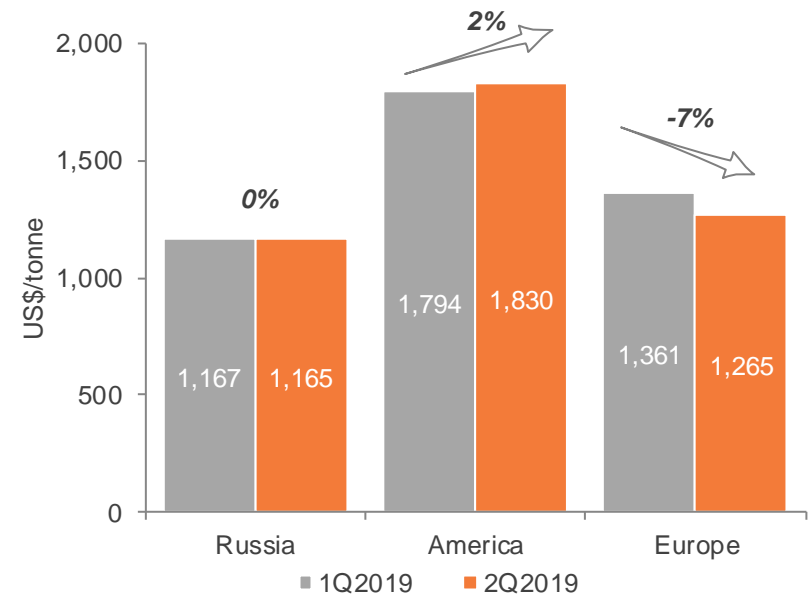


2Q 2019 vs. 1Q 2019 Revenue by Division

Revenue



Revenue per tonne*



* Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billets sales

- Revenue at the Russian division grew QoQ, driven by higher welded pipe sales and a positive effect of currency translation
- Revenue at the American division was affected by weaker welded pipe sales, mainly due to OCTG pipe
- Revenue at the European division decreased QoQ, mainly due to lower sales and unfavorable pricing environment
- Russian division revenue per tonne was flat QoQ
- American division revenue per tonne was higher QoQ, due to a change in the product mix with a higher share of seamless pipe
- European division revenue per tonne decreased QoQ, due to pricing pressure

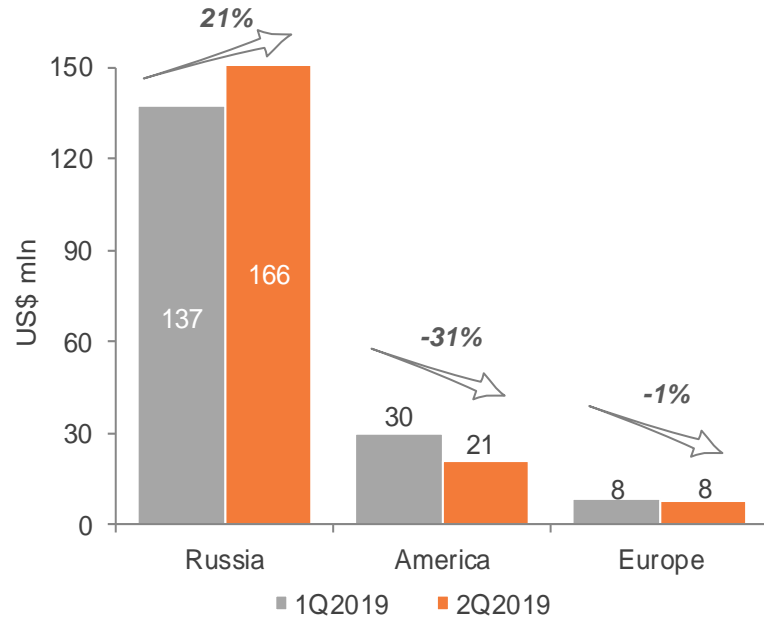
Source: Consolidated IFRS financial statements, TMK data

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.



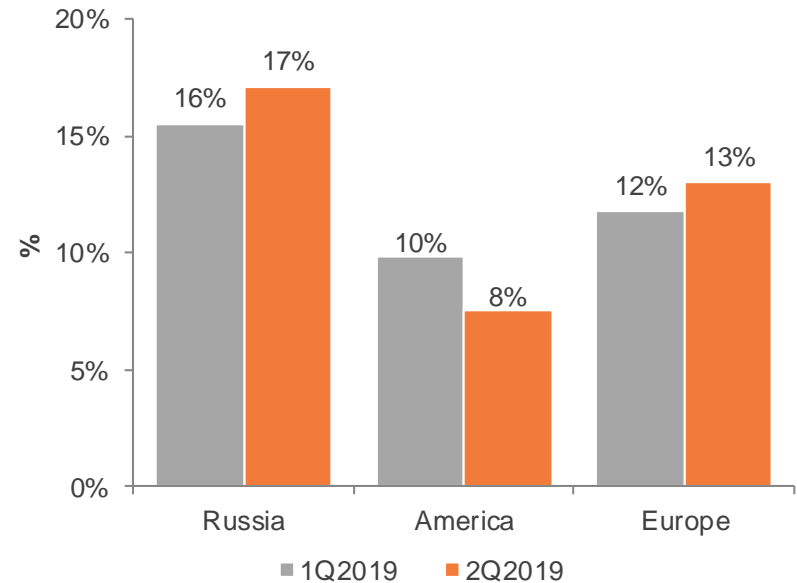
2Q 2019 vs. 1Q 2019 Adjusted EBITDA by Division

Adjusted EBITDA



- Russian division Adjusted EBITDA increased QoQ, supported by a better sales mix, as well as lower scrap prices
- American division Adjusted EBITDA decreased QoQ
- European division Adjusted EBITDA was almost flat QoQ

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased by 1 p.p. QoQ, reflecting a better product mix with a higher share of large diameter pipe in the welded segments, as well as lower raw material prices
- American division Adjusted EBITDA margin declined QoQ
- European division Adjusted EBITDA margin increased QoQ

Source: Consolidated IFRS financial statements, TMK data

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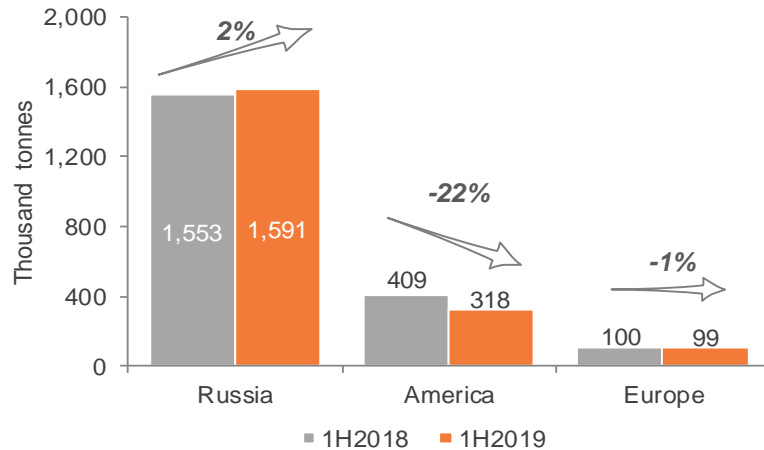


1H 2019 vs. 1H 2018 Results



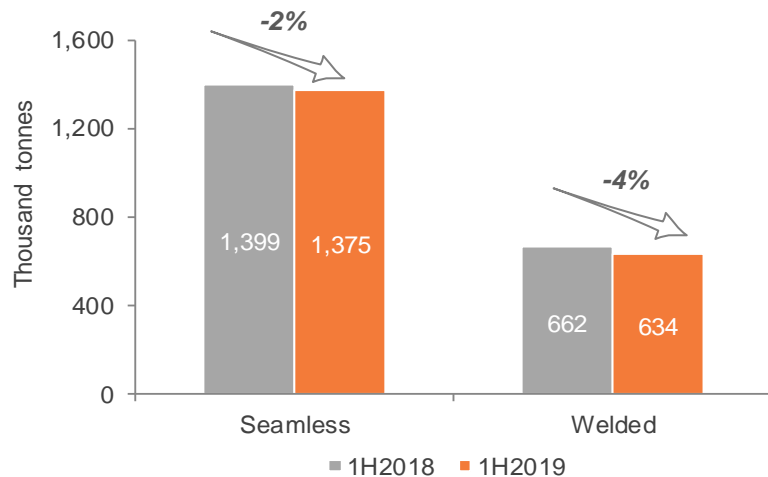
1H 2019 vs. 1H 2018 Sales by Division and Product Group

Sales by division



- Russian division sales increased YoY, driven mainly by higher sales of large diameter pipe and seamless OCTG pipe
- Sales volumes at the American division decreased YoY due to the lower OCTG sales, impacted by slowdown in the North American OCTG market with drilling activity decelerating and operators focused on capital discipline
- European division sales was almost flat YoY

Sales by product group



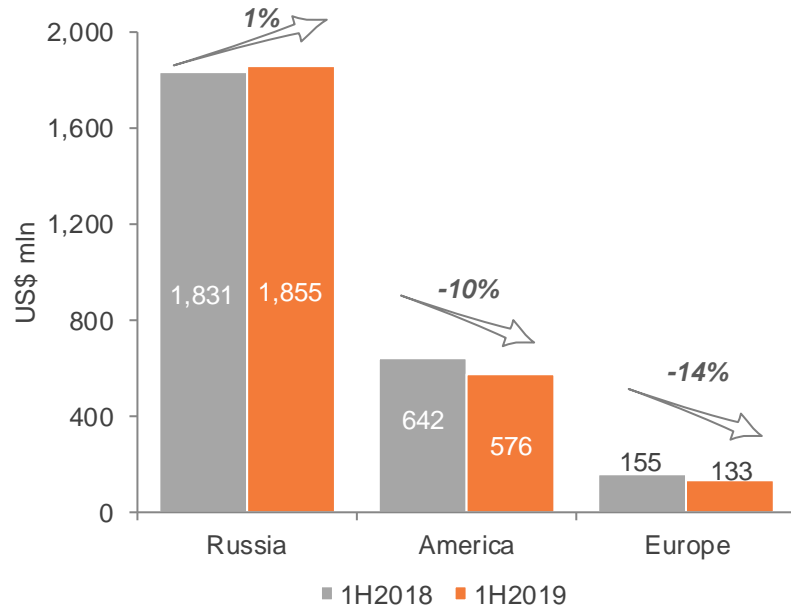
- Seamless pipe volumes declined YoY, as higher sales at the Russian division were offset by weaker sales at the American division
- Welded pipe sales decreased YoY, as higher sales at the Russian division were offset by weaker sales at the American division
- Total OCTG sales increased 2% YoY, driven by stronger seamless OCTG sales at the Russian division

Source: TMK data

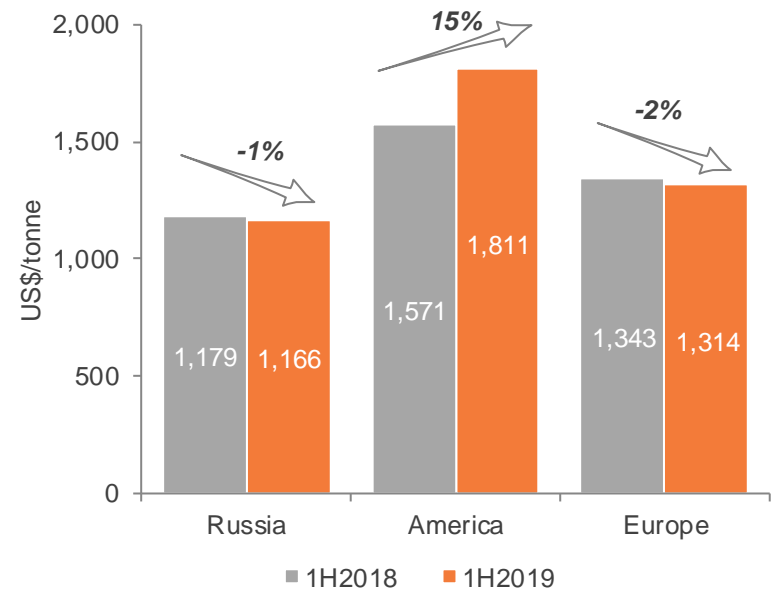


1H 2019 vs. 1H 2018 Revenue by Division

Revenue



Revenue per tonne*



* Revenue /tonne for the Russian and American divisions is calculated as total revenue divided by pipe sales. Revenue for the European division is calculated as total revenue divided by pipe+billets sales

- Revenue at the Russian division increased YoY, mainly due to higher sales, stronger pricing and a better product mix. However most of the growth was offset by a negative impact of currency translation
- Revenue at the American division declined YoY, mainly due to lower sales, which were partially compensated by a stronger pricing
- Revenue at the European division declined YoY, mainly due to a negative effect of currency translation
- Russian division revenue per tonne remained almost flat YoY
- American division revenue per tonne grew YoY, as a result of a stronger YoY pricing
- European division revenue per tonne declined YoY, mainly due to a negative effect of currency translation

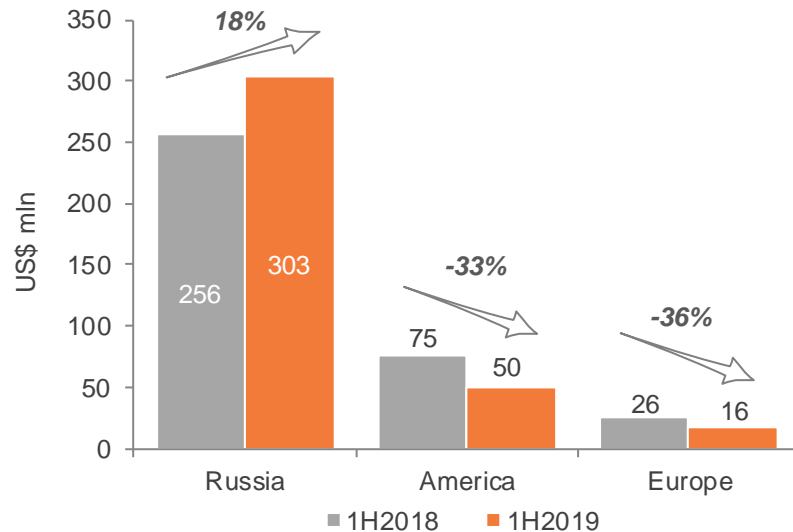
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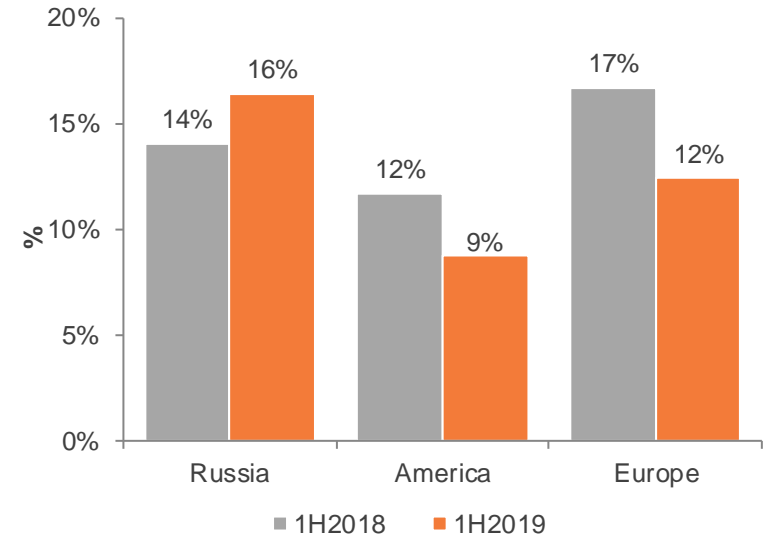
1H 2019 vs. 1H 2018 Adjusted EBITDA by Division

Adjusted EBITDA



- Adjusted EBITDA in the Russian division increased YoY, driven by an improved sales mix towards a higher share of OCTG and large diameter pipe
- American division Adjusted EBITDA declined YoY, due to lower sales in both seamless and welded segments
- European division Adjusted EBITDA declined YoY, impacted by higher selling and administrative expenses and by a negative effect of currency translation

Adjusted EBITDA margin



- Russian division Adjusted EBITDA margin increased YoY, as a result of an improved sales mix towards a higher share of OCTG and large diameter pipe
- American division Adjusted EBITDA margin was down YoY, due to weaker product mix
- European division Adjusted EBITDA margin declined YoY, impacted by higher selling and administrative expenses

Source: Consolidated IFRS financial statements, TMK data

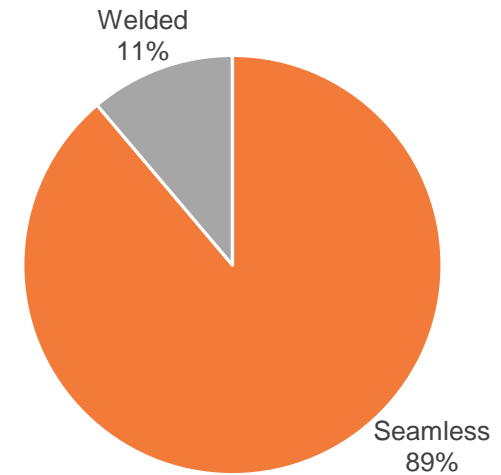
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Seamless – Core to Profitability

	US\$ mln <i>(unless stated otherwise)</i>	2Q2019	QoQ, %	1H2019	YoY, %
SEAMLESS	Sales - Pipes, kt	690	1%	1,375	-2%
	Revenue	906	1%	1,804	0%
	Gross profit	217	2%	429	5%
	Margin, %	24%		24%	
	Avg revenue/tonne (US\$)	1,314	0%	1,313	2%
	Avg gross profit/tonne (US\$)	314	1%	312	6%
WELDED	Sales - Pipes, kt	341	16%	634	-4%
	Revenue	350	14%	657	-5%
	Gross profit	31	36%	54	24%
	Margin, %	9%		8%	
	Avg revenue/tonne (US\$)	1,026	-2%	1,036	0%
	Avg gross profit/tonne (US\$)	92	17%	86	30%

1H 2019 gross profit breakdown



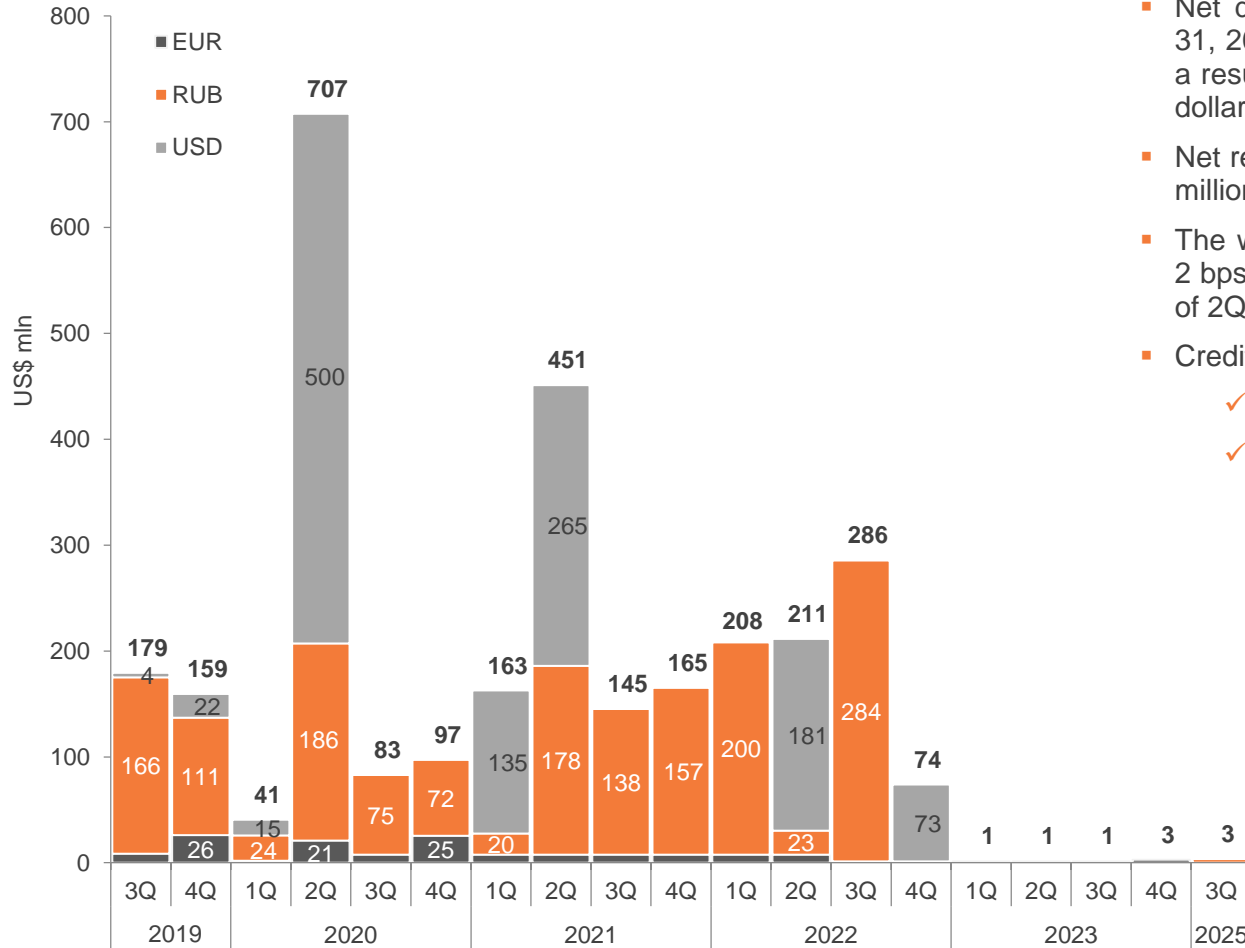
- Sales of seamless pipe generated 70% of total revenues in 1H 2019
- Gross profit from seamless pipe sales represented 89% of 1H 2019 total gross profit
- Gross profit margin from seamless pipe sales amounted to 24% in 1H 2019

Source: Consolidated IFRS financial statements, TMK data

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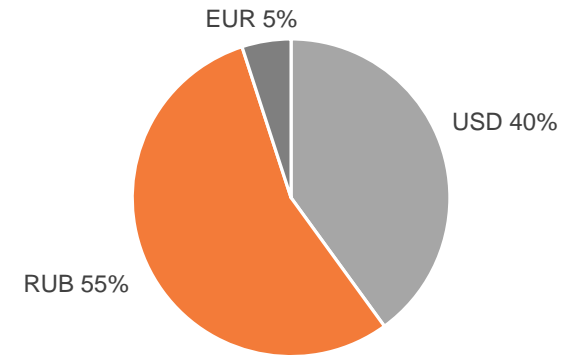


Debt Maturity Profile as at June 30, 2019



- Net debt increased from \$2,437 million as at December 31, 2019 to \$2,641 million as at June 30, 2019, mainly as a result of the Russian rouble appreciation against the US dollar
- Net repayment of borrowings in 1H 2019 amounted to \$47 million
- The weighted average nominal interest rate was down by 2 bps compared to the end of 2018 to 7.27% as at the end of 2Q 2019
- Credit Ratings confirmed:
 - ✓ S&P B+, Stable
 - ✓ Moody's B1, Stable

Debt currency structure



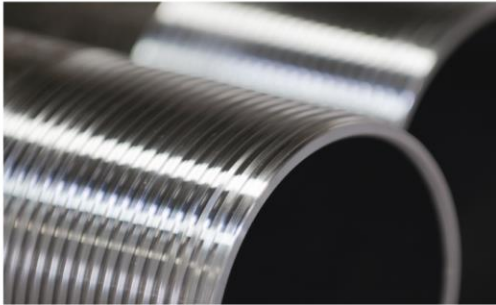
Source: TMK management accounts (figures based on non-IFRS measures), TMK estimates

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Outlook and Trends

- In Russia, TMK expects pipe consumption by domestic oil and gas companies to remain stable in 2019. The increased complexity of hydrocarbon production projects in Russia is expected to result in higher demand for high tech products. TMK anticipates EBITDA at the Russian division to increase for the full-year 2019, supported by an increase in pipe shipments, with the EBITDA margin to be slightly above the level of full-year 2018.
- In North America, the market situation is most likely to remain challenging with oil and steel price volatility, a slowdown in drilling activity and operators focusing on capital discipline, all resulting in lower pipe demand and pressure on prices.
- In Europe, a challenging market environment and pricing pressure, coupled with a seasonal slowdown in activities in the European market in the third quarter might impact the European division's financial performance for the full-year 2019. However, overall TMK expects to see sustained demand for seamless industrial pipe in full-year 2019 with the sales mix for the European division comprising a higher share of high value-added products.



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